A LETTER

TO

LORD ASHLEY,

ON THE

PRINCIPLES WHICH REGULATE WAGES

AND

ON THE MANNER AND DEGREE

IN WHICH

WAGES WOULD BE REDUCED,

BY THE PASSING OF

A TEN HOURS BILL.

By R. TORRENS, Esq., F.R.S.

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CONTENTS.

A

LETTER TO LORD ASHLEY,

&c. &c. &c.

My Lord,

The principles which regulate the wages of labour form, without any exception, the most interesting and the most important division of Political Economy. The labouring classes compose the great bulk of every community; and a country is happy or miserable, as they are well or ill supplied with the necessaries, comforts, and enjoyments of life. The study of political economy, if it did not teach the way in which labour may obtain an adequate reward, might serve to gratify a merely speculative curiosity, but could scarcely conduce to any purposes of practical utility. It claims the peculiar attention of the benevolent and good, mainly because it explains the causes which depress and elevate wages, and thereby points out the means by which we may mitigate the distress and improve the condition of the great majority of mankind. Political economy is not, as has been erroneously stated, the appropriate science of the statesman and the legislator; it is peculiarly and emphatically *the science of the people.*

The Maximum of Wages.

As wages are paid out of the produce of industry, it is obvious that there are natural and necessary limits, beyond

which they cannot be permanently increased. Thus, if 100 labourers expend 200 quarters of corn for seed and implements, and raise a return of 500 quarters, it is physically impossible that their wages should continue to be more than 300 quarters; because if they did, seed and implements would not be replaced, and the capitalists could not continue the cultivation of the earth. Again, if it were necessary to resort to an inferior soil, upon which 100 labourers, with an expenditure of 200 quarters for seed and implements, could raise no more than 400 quarters, then, for the same reason, it would become physically impossible that the annual wages of 100 men should exceed 200 quarters of corn.

In the above cases the labourer is supposed to receive as his wages the whole produce of labour, which remains after the replacement of the capitalist's other advances. This can occur only in those rare instances in which the capitalist, without seeking any profit for himself, employs labourers from pure benevolence and charity. In the vast majority of actual cases, the capitalist, in addition to the replacement of all his advances, will reserve a portion of the produce of industry as his profit; and though there will exist no physical, yet there will be a moral impossibility that wages should exceed that which remains after the capitalist's other advances have been replaced, with the lowest rate of increase, for the sake of which he will carry on his business. This, then, we may call the *moral maximum* of wages. The labourer may receive more, as a benevolent gift, from men of fortune, who do not live upon their industry; but he cannot receive more, in exchange for common labour, in those great and permanent branches of employment which supply the community with the necessaries and comforts of life.

The rate of increase, which is sufficient to induce the capitalist to continue in business, varies from causes which it is not necessary here to explain. We may for the present

safely assume that the capitalist will not engage in the work of production, unless he can obtain a profit of 7 per cent.

If we take 7 per cent. as the lowest rate of profit, then the maximum, beyond which wages cannot rise, will be that portion of the produce which remains, after replacing the advances not consisting of wages, and deducting what is equivalent to 7 per cent. upon the whole advances. Thus, if a farmer advance to 100 labourers 200 quarters of corn as wages, with 200 quarters more for seed and implements; and if he obtain a return of 428 quarters, wages will be at the maximum, for if we take from the whole produce of 428 quarters 200 quarters to replace the seed and implements consumed, and also deduct 28 quarters, or 7 per cent., upon the whole advance of 400 quarters, then just 200 quarters will remain to be again advanced as wages. Under these circumstances it is self-evident that wages could not rise above 200 quarters for 100 men, for were more than this given to the labourers too little would remain, either for seed and implements, or for that lowest rate of profit which will induce the farmer to cultivate.

It is obvious that the maximum of wages may be raised, either by the cultivation of land of a better quality, or by improvements in the effective powers of industry; and that it may be lowered, either by resorting to poorer soils, or by a falling off in the effective powers of industry. In an improving country better modes of culture are gradually introduced, and labour is more effectually applied, particularly in manufactures. But the effect of such improvements, in raising the maximum of wages, is in general counterbalanced by the necessity of resorting to inferior soils for the supply of food and material.

The circumstances which raise the maximum of wages to the highest point are those in which an old and thickly-peopled country, excelling in manufacturing industry, carries on a perfectly free trade with new and thinly-peopled coun-

tries, in which none but soils of first-rate quality are under tillage. A simple illustration will demonstrate this.

If a master manufacturer employ 100 labourers, who fabricate for him 428 suits of clothing, and if, from the inferior quality of the soil under cultivation, he is obliged to give 200 suits for the materials he works up, it is evident that the highest point to which the wages of the 100 labourers can ascend will be 200 suits of clothing; because if more were given for labour the capitalist would have less than the lowest rate of profit, which is necessary to induce him to continue in business.

Now, let an unrestricted commerce in raw materials be established with a new country, cultivating none but first-rate soils, and let raw materials be in consequence so reduced in value, as compared with wrought goods, that the manufacturer can purchase his raw material for 100, instead of for 200 suits of clothing; and immediately the maximum of wages, for the 100 labourers, will rise from 200 to 300 suits, because the capitalist, obtaining 428 suits and advancing only 100 for materials, may give 300 to his labourers, and yet retain 28 suits, or 7 per cent. upon his whole advance of 400 suits. Measured in clothing, maximum wages will have risen 50 per cent., measured in raw produce they will appear to have risen 300 per cent.

England having acquired in manufacturing industry an efficacy unexampled in the history of the world, and having the new countries of her vast colonial empire open to her commerce on principles of perfect reciprocity, is placed in that precise situation in which the maximum of wages may be elevated to the highest attainable point. But the vast, the incalculable advantages of this situation cannot be developed without the adoption by the Government of an extended scheme of colonization.

The Minimum of Wages.

The minimum below which wages cannot permanently fall, consists in a quantity of the necessaries and conveniences of life sufficient to preserve the labourer in working condition, and to induce him to keep up the race of labourers. The point, below which wages cannot fall, is not a fixed and immutable point, but is, on the contrary, liable to considerable variation. The shelter and clothing indispensable in one country may be unnecessary in another. A labourer in Hindostan may continue to work with perfect vigour while receiving a supply of clothing which would be insufficient to preserve a labourer in Russia from perishing. Even in countries situated in the same climate, different habits of living will often occasion variations in the minimum of wages as considerable as those which are produced by natural causes.

The labourer in Ireland will rear a family under circumstances which would not only deter an English workman from marriage, but would force him on the parish for personal support. Now, it is certain that a gradual introduction of capital into Ireland, accompanied by such a diffusion of instruction amongst the people as would impart to them a taste for the comforts of life, might raise the minimum of wages in that country to an equality with their minimum in England; and we can conceive a succession of impoverishing and calamitous causes, which might so reduce the spirit of the people of England as to render them satisfied with the scanty pittance that the labourer obtains in the sister island. Alterations, however, in the minimum of wages cannot be suddenly effected. So far as this minimum depends upon climate, it is unchangeable; and even so far as it is determined by the habits of living, and the established scale of comfort, it can be effected only by those circumstances of prosperity or decay, and by those moral causes of instruction and civilization, which are ever gradual in their

operation. The minimum of wages, therefore, though it varies under different climates, and with the different stages of national improvement, may, in any given time and place, be regarded as very nearly stationary.

On the Circumstances which determine the Point at which actual Wages settle.

We have seen that the *minimum* of wages is that quantity of the products of industry which climate and custom render necessary, in order to support the labourer while at work, and to induce him to keep up the race of labourers; and it has appeared that the *maximum* of wages is that quantity of the products of industry which remains after replacing the advances, not consisting of wages, and paying the capitalist the lowest rate of profit, which will induce him to continue the work of production.

Now, when climate and custom have fixed the minimum below which the reward of labour cannot fall, and when the quality of the soil, the skill with which labour is applied, and the degree of freedom which is allowed to trade, have determined the maximum beyond which it cannot rise, what is the precise circumstance which fixes the point at which actual wages settle?

In order to put this important question in a more exact and definite form, we will assume that the minimum wages of the labourer are five quarters of corn a-year, and that the minimum profit, for the sake of which the capitalist will make advances, is 7 per cent.; and we will suppose that a farmer, by employing 100 labourers, and advancing 500 quarters of corn for seed and implements, obtains a reproduction of 1605 quarters. In this case, what is to determine the wages which the 100 labourers shall receive? They may receive only 500 quarters, should wages fall to the minimum, or they may receive 1000 quarters, should

wages rise to the maximum; because, as the farmer obtains a reproduction of 1605 quarters, he may, in addition to his advance of 500 quarters for seed and implements, pay 1000 quarters to his 100 labourers, and still have, upon this whole advance of 1500 quarters, the minimum profit of 7 per cent., which is sufficient to induce him to continue his business. What then determines whether the 100 labourers shall receive as their wages 500 quarters or 1000 quarters, or some medium quantity between these two extremes?

The answer to this question is, that the one and the only cause which can determine where, between the maximum and minimum, the wages of these 100 labourers shall be fixed, is the proportion between the number of labourers and the quantity of that component part of our farmer's capital which he can exchange for labour. A mere statement of the relation between the amount of the capital and the quantity of the labour will render this self-evident.

How the Proportion between Capital and Labour regulates actual Wages.

The farmer, on commencing business, commands, we will say, a capital of 1000 quarters of corn; 500 quarters of which he advances for seed and implements. Over and above his necessary expenditure for these component parts of agricultural capital, he has but 500 quarters disposable; and therefore it is physically impossible that he should give to his 100 labourers more than those 500 quarters as their wages.

The farmer obtains a reproduction of 1605 quarters; but if 605 quarters of these are absorbed in the current expenses of his family, his capital, at the commencement of the second year, will remain exactly the same as it was at the commencement of the first, and any increase of wages will continue to be impossible.

But supposing that our farmer, out of the 605 quarters formerly devoted to the current expenses of his family, contrives to save 250 quarters, and adds them to his capital of 1000 quarters, then it will immediately become possible for an advance of wages to take place; and assuming that the number of labourers remain as before, an advance of wages equal to the increase of capital necessarily will take place; the 100 labourers receiving 725 quarters instead of 500 quarters. For when the farmer, in order to extend his cultivation, makes an addition to his capital, he will require a greater number of hands, and will seek to tempt them into his employ by the offer of higher wages. But as the increase of capital is supposed to be general, all other capitalists will require additional hands as well as our farmer, and will be offering higher wages also. All the capitalists will be unwilling to let their additional capital lie idle for want of hands, and, with the twofold object of retaining their own labourers, and of obtaining those of their neighbours, will go on advancing wages, until the whole of their additional capital is absorbed.

Assuming that all the labourers are already employed, and that no addition is made to their numbers, it is morally certain that the whole of every new accumulation of capital will assume the form of increased wages, until the reward of the labourer has reached its maximum. New accumulations of capital are made for the sake of obtaining advantage therefrom. But it is impossible that new accumulations of capital should be advantageously employed, unless labourers can be procured. The new capital, accumulated for the purpose of gaining an advantage by the employment of labourers, comes into the market and bids for hands; the old capital, in order to retain its hands, is compelled to bid against the new, and this process goes on until the whole existing capital is invested in wages, seed, materials, and machinery. But as a given number of hands can use only a given quantity of seed, materials, and machinery, these ingredients or com-

ponent parts of capital cannot be increased, while the quantity of labour remains the same; and therefore it is only in the form of increased wages that the new accumulations of capital can appear.

When the number of labourers remains the same, nothing can prevent new accumulations of capital from appearing under the form of increased wages, except such an intimate understanding and concert amongst capitalists, as would induce each individual of the class, instead of seeking for additional hands, to allow all his new accumulations of capital to remain idle and unproductive. But the supposition of an intimate concert amongst capitalists, for such a purpose, involves this manifest contradiction and absurdity—namely, that they accumulate capital for the sake of employing it advantageously, at the same time that they resolve not to employ it at all. If there were an understanding that all new capital should be kept unemployed, no new accumulation would take place. Whenever new accumulations do take place, they supply a complete demonstration that no combination for the purpose of not employing them exists. If such new accumulations are made, it is in order that they may be employed; and if they are employed the quantity of labour, and the state of knowledge in applying mechanical power remaining the same, there is no form in which they can appear, except in that of increased wages.

On this principle, if our farmer, employing, as before, 100 labourers, advancing 500 quarters of corn as seed and implements, and obtaining a reproduction of 1605 quarters, were, out of the 605 quarters formerly devoted to the current expenses of his family, to save 500 quarters instead of 250 quarters, then the second 250 quarters thereby added to his capital would, like the first, take the form of increased wages, and the reward of the 100 labourers, which had before risen from 500 to 750 quarters, would now rise to 1000 quarters. Here wages would have reached their maximum;

for the farmer, advancing 500 quarters for seed, and 1000 quarters for labour, and obtaining a reproduction of 1605 quarters, would gain no more than the minimum profit of 7 per cent., which, by the supposition, is necessary, to induce him to carry on his business.

Under these circumstances, it is plain that if the number of labourers did not increase, wages would continue at their maximum. Should the labouring class, during the increase of capital and advance of wages, have acquired a taste for superior modes of living, the minimum, below which wages cannot fall without reducing the supply of labour, might be made to coincide with the maximum, beyond which they cannot rise without suspending the employment of capital. When the coincidence of minimum and maximum wages is brought about by superior habits of living among the people, raising the former to the level of the latter, the labouring classes will be in the most affluent condition in which, in the nature of things, it is possible they should be placed.

This affluent condition can be preserved to the labouring classes so long only as they may refuse to burthen themselves with families sufficient to keep up the race, unless they receive the highest wages which can be paid, without trenching upon the minimum rate of profit. An increase in the number of labourers, without a contemporaneous and proportional increase in the quantity of those ingredients of capital by which labour is maintained, is inevitably followed by a decline of wages. While our farmer's capital consists of seed and implements sufficient to employ 100 labourers, and of a quantity of necessaries sufficient to pay them wages at the rate of ten quarters of corn per man, it is physically impossible that he should, with this capital, give employment to 110 labourers, at the same wages.

It necessarily follows, from the principles of rent, that when, on the last land resorted to, the smallness of the produce obtained deprives the farmer of the power of giving his labourers more than is sufficient for the support of animal life, the high

rent which competition causes to be paid for all the more fertile soils, reduces the cultivator of the best to the same level with the cultivator of the worst, and brings down, universally, the maximum of wages to the minimum.

Hitherto we have taken our proofs and illustrations from agricultural labour, because in agriculture the principal things expended, such as food and seed, being homogeneous, with the things reproduced, we are enabled to form a direct comparison between the quantities expended and the quantities reproduced, and thus to give a simplicity and distinctness to our illustrations which could not otherwise be obtained. The principles, however, which regulate wages in agriculture also regulate them in manufactures. Where, as is now the case in this country, competition is allowed to operate, the value of the common labour employed in producing the first necessaries of life will regulate the value of all other kinds of labour, allowance being made for different degrees of hardship and of hazard, and for the time and expense required in learning a trade.

Beyond a certain Point, the Proportion between Capital and Labour ceases to have any influence on Wages.

It has appeared that minimum wages are fixed by climate and by the habits of living prevalent among the labouring classes; that maximum wages are determined by the quality of the soil under cultivation, and by the skill with which labour is applied; and that the point at which actual wages settle is regulated by the proportion which exists between the number of labourers to be maintained and the quantity of those ingredients of capital which are destined for their maintenance.

The ratio between labour and capital appears sometimes to be considered as the only regulator of wages. If the condition of the great body of the people be easy and comfortable, it is contended that all that is necessary to keep it so is to make capital increase as fast as population; or, on the other hand,

to prevent population from increasing faster than capital; and that, if the condition of the people be not easy and comfortable, it can be made so only by quickening the rate at which capital increases, or by retarding the rate at which population increases.

This is taking a narrow and incomplete view of the circumstances which regulate wages. The ratio between labour and capital is not the only cause; it is but one out of the several causes by which wages are governed. When climate and custom have determined the point below which the reward of labour cannot fall, and when the quality of the soil, and the skill with which industry is applied, have fixed the maximum beyond which it cannot rise, then the ratio between population and capital, or, more correctly, between the quantity of labour and the quantity of the ingredients of capital destined for its maintenance, determines the intermediate point at which actual wages settle. But, though labour and capital should go on increasing in the same proportion, and though they should constantly preserve the same ratio to each other, yet the necessity of resorting to inferior soils might gradually reduce the maximum of wages until it coincided with the extreme minimum, below which labour cannot be sustained. At this point the supply of labour could be no further increased; and if habits of frugality amongst the opulent classes continued to convert revenue into capital, the ratio of capital to population might go on increasing, without producing the slightest advance of wages.

When, in the progress of wealth and population, wages and profits have fallen to their minimum, and when the next quality of land to be taken in cannot be made to yield a reproduction sufficient to pay these minimum wages and to replace advances with minimum profits, then that which is saved from revenue to be added to capital cannot be employed at home, and, unless poured out upon the fertile wastes of colonial dependencies, will be invested in foreign loans and foreign adventures. At this point the most rapid accumulation of capital, though going

on while population remained stationary, could have no possible influence on wages.

On the Effect of Machinery upon Wages.

From the principles established in the preceding sections, it must be evident that, in whatever degree the employment of machinery may diminish the cost of production, it must in the same degree raise maximum or possible wages. Assuming, as before, that 7 per cent. is the lowest rate of profit for the sake of which industry will be continued, then if a farmer employing 100 labourers, with an expenditure of 500 quarters for seed and implements, could raise 749 quarters, the maximum wages of the 100 men, should no rent be paid, would be 200 quarters, or two quarters per man. Now, suppose that the farmer, by introducing a threshing machine, a winnowing machine, and a sowing machine, can raise 749 quarters from the land under cultivation, with the labour of 50 instead of 100 men, then it is self-evident that maximum or possible wages will be doubled, and will rise from two quarters to four quarters per man. Before the introduction of these machines, it was physically impossible that any effort of prudence, any diminution of the supply of labour, or any increase in the demand for it, could enable the labourers to earn, as their permanent wages, more than two quarters per man; but, now that the cost of production has been lowered by the employment of machinery, an increase in the demand for labour, or a diminution in its supply, may double wages. A capability of bettering the condition of the working people has been created—the obstacle (formerly insuperable) to their improvement has been removed.

But the practically important questions are—Would improvement really take place when it ceased to be impossible? Would *actual* wages rise because *maximum* wages had risen? Let us see.

The employment of the machines has caused an enormous

increase in the profits of the farmer. While his produce, equivalent to 749 quarters, remains as before, his expenditure. which was 500 quarters for seed and implements, and 200 quarters for wages for 100 men, is now reduced to 500 quarters for seed and implements, with 100 quarters for wages for fifty men. His profit is therefore raised from 7 to 24 per cent. Now this increased rate of profit, occasioned by the diminished cost of production, will be followed by an increase in actual as well as in maximum wages.

The 100 quarters which the farmer formerly paid as wages to fifty men, and which are now added to his profits, he cannot eat, and he will not destroy. He will expend them, either unproductively as revenue, or productively as capital. Should he expend them unproductively, upon an additional quantity of articles of dress and furniture produced within the country, they will go to pay the wages of the additional number of labourers required to fabricate this additional supply of home-made goods. Should he expend them unproductively upon foreign luxuries, they will go to pay the wages of the additional number of labourers, required to produce the additional quantity of home-made goods, with which the additional supply of foreign luxuries must be purchased. In either case the unproductive expenditure of the 100 quarters, added to the farmer's profits, will create a new demand for labour, exactly equal to the quantity of labour thrown out of employ by the introduction of the machines. The diminished demand for agricultural labour will be balanced by the increased demand for manufacturing labour, and the aggregate demand will remain undiminished. The change of occupation will, in the first instance, be accompanied by considerable local distress; but after the new proportions between the agricultural and manufacturing populations have been adjusted, the same number of labourers will be employed at the same rate of wages as before. On the supposition, therefore, that the farmer expends the

whole of his increased profits unproductively, the ultimate effect will be, that maximum wages will be increased, while actual wages will remain unchanged. The quantities of raw materials and food, the funds for employing and maintaining labour, will remain as before; and should no variation take place in the numbers to be employed and maintained, wages will remain as before.

But when the introduction of the machines increased the farmer's profit from 7 to 24 per cent., the whole of this increased profit would not be expended unproductively. Increasing profits always occasion a more rapid accumulation of capital, and an increase of productive expenditure. We have therefore to consider what effect would be produced upon actual wages by the more rapid accumulation of capital, and the increased productive expenditure consequent upon the employment of the machines.

Previous to the employment of the machines, the farmer obtained, from the most inferior soils then under tillage, the rate of profit requisite to induce him to invest capital in cultivation. He can now obtain this rate of profit from lands which could not before be tilled. When the expenditure, upon a given quantity of land, was 700 quarters, the lowest quality of soil which could be cultivated with the minimum profit of 7 per cent. must have yielded 749 quarters; now that the machines have reduced the expenditure upon this quantity of land to 600, a quality of soil yielding 642 will afford this rate of profit; a new and extensive field for the employment of accumulating capital will be created; that portion of the farmer's increased profits which he adds to his capital will be employed in bringing additional land into tillage, an increased quantity of subsistence will be raised, and, unless the supply of labour should increase in the same proportion, actual wages will advance.

The employment of improved machinery in manufactures

would produce precisely similar effects. Let us take the instance of the power-loom, and, for the sake of distinctness, let us trace the result in figures.

A manufacturer's expenditure is, in the first instance, raw material and wear and tear, equivalent to 500 quarters, and wages to 100 hand-loom weavers, equivalent to 200 quarters, and with this expenditure he fabricates cloth equivalent to 749 quarters. He subsequently introduces the power-loom, which, by enabling him to get the same work done by fifty labourers, effects a saving of the wages formerly advanced to the other fifty, who are thrown out of employ. The things constituting the wages thus saved, the manufacturer will not destroy—he will advance them either in purchasing or in producing other things; and in either case the aggregate quantity of food and clothing appropriated to the maintenance of the labouring classes will suffer no diminution. The new distribution of employment will, for a considerable period, be accompanied by great privation and distress; but when a sufficient number of the hand-loom weavers, for whose work there is a diminished demand, shall be transferred to those other trades, in which there is an increased demand, there will not be, upon the whole, any reduction in actual wages, even upon the supposition that the whole saving in the cost of production is expended unproductively, and that no addition is made to those ingredients of capital which are applicable to the maintenance of labour. But this supposition would be contrary to fact. The saving which the introduction of improved machinery would effect in the cost of producing manufactured necessaries, would speedily occasion an increased creation of the funds applicable to the maintenance of labour; and unless a proportional increase should at the same time take place in the supply of labour, would cause actual wages to advance. The demand for labour would be rendered either more intense or more extensive, or, in other words, either the same number

of labourers would be employed at higher wages, or else a greater number at the same wages. The reduction in the cost of preparing wrought goods, occasioned by the employment of machinery in manufactures, reduces the value of that portion of the farmer's advances which consists of clothing, furniture, and implements, and thereby enables him to obtain additional supplies of food and raw materials from tracts which could not formerly be tilled. Let us take an example.

We will assume that, before the introduction of improved machinery in manufactures, that part of the farmer's advances which consists of wrought goods is of equal value with that part which consists of raw produce. In this case, if he advance 100 quarters as food and seed, he must also advance clothing, furniture, and implements equivalent to 100 quarters; and he will be unable to cultivate, with the minimum profit of 7 per cent., any land which does not yield to this advance a produce of 214 quarters. Now let the employment of improved machinery in manufactures diminish by one-half the productive cost, and the value of wrought goods, and the farmer's advance, which was before equivalent to 200 quarters, will now be equivalent only to 150 quarters; and he will be able to cultivate, with the minimum of 7 per cent., land yielding only 160½ quarters. Tracts which could not formerly be reclaimed from their original wild and forest state, will now be brought under the plough, and there will not only be a greatly increased demand for agricultural labour, but large additional supplies of food and raw material will be raised, to maintain and employ a more numerous manufacturing population.

Machines work, but do not eat. When they displace labour, and render it disposable, they at the same time displace and render disposable the real wages, the food and clothing, which maintained it. The aggregate fund for the support of labour is not diminished, and, therefore, unless the numbers to be main-

tained should increase, each individual, as soon as the free subsistence and free labour are re-adjusted to each other, will have the same command of the necessaries of life as before. But machines not only leave the aggregate fund for the maintenance of labour undiminished, they actually increase it. They are employed, because they reduce productive cost; and whether such reduction take place in agriculture or in manufactures, it allows cultivation to extend over districts which could otherwise be tilled, and causes additional funds for the maintenance of labour to be created. When a machine is employed in agriculture, the quantity of food and clothing expended in raising a given produce is reduced; and when it is employed in manufactures, the value of the clothing and implements expended in raising a given produce is reduced; and, therefore, in either case the plough is driven over regions into which cultivation could not otherwise extend—the same effect is produced as if increased natural fertility had descended on the soil—the fund for the maintenance of labour is enlarged, and the same numbers will obtain higher wages, or additional numbers will obtain employment.

Mr. Ricardo has stated an hypothetical case, in which the employment of machinery might diminish the fund for the maintenance of labour, and injure the working classes. The case is this. Should any number of labourers, now employed in producing the necessaries of life, be withdrawn from that occupation, and employed in constructing machines, the immediate consequence would be a diminution in the quantity of the necessaries of life; and as the diminished quantity would have to be divided amongst the same number of persons as before, a less quantity would fall to the share of each individual, and real wages would be reduced. The diminution of the funds for the maintenance of labour, and the consequent fall of real wages, could only be temporary. As soon as the machines were completed, the labourers employed in constructing them would again become disposable for the production of necessaries,

while the increased efficiency of industry, occasioned by a more extended application of mechanical power in aid of labour, would lead to extended tillage, and cause augmented supplies of food and raw material to be raised from soils which could not before remunerate the cultivator.

It is to be observed that this hypothetical case, put by Mr. Ricardo, never occurs in practice. The labourers employed in agriculture, and in manufacturing necessary articles of clothing and furniture, are never withdrawn from these occupotions for the purpose of constructing machines.* If, in any given year, the manufacture of machinery were to increase ten-fold, such increase would not occasion, even in that same year, any perceptible diminution in the supply of the necessaries of life.

The only case in which the employment of machinery can in practice diminish the funds for the maintenance of labour, is that in which the machinery is worked, not by mechanical, but by animal power. Should 100 labourers, employed in spade husbandry, consume 200 quarters of corn, and produce 220 quarters, the farmer, who advanced their consumption, would obtain 20 quarters as his profit. Now, let the plough be substituted for the spade, and horses for labourers, and then it is possible that the profits of the farmer may be increased, while the funds for the maintenance of labour are diminished. For if 20 horses, consuming 40 quarters, can do the work of 50 men, consuming 100 quarters, the farmer's whole expenditure will be reduced from 200 quarters to 140 quarters, and his return of 220 quarters to this reduced expenditure will leave 80 quarters instead of 20 quarters as his profit. But in this case the fund for the maintenance of labour would be reduced to the whole extent of the consumption of the horses. There will be 50 agricultural labourers thrown out of employment; but there will not be, as if the ploughs were worked by

* See Senior's able Lectures on Wages.

a non-food-consuming power, an equivalent supply of subsistence set free to support them in other occupations.

It is to be remarked, however, that the injurious effect of substituting horse-power for human labour would be gradually counteracted by the extended tillage, rendered practicable by the diminution effected in the cost of production. While the farmer employed in spade husbandry 100 men, consuming 200 quarters, he could not cultivate, with the minimum profit of seven per cent., any land yielding to this expenditure a less produce than 214 quarters. But when the substitution of ploughs and horses reduces his expenditure from 200 to 140 quarters, he can immediately extend cultivation over inferior soils, yielding to this reduced expenditure a produce of only 150 quarters; and thus, by the extension of tillage, the funds for the maintenance of labour would be again enlarged. In a country not exporting the raw produce of the soil, the permanent interest of the working classes must always be promoted by the substitution of a cheaper for a more expensive instrument of production. When cheaper instruments of production are employed, maximum or possible wages are raised, and unless the supply of labour increases with the increased power of extending cultivation over inferior soils, actual wages are made to approximate to their maximum.

The funds for the maintenance of labour receive their greatest possible increase when, in the working of machines, horse-power is superseded. In this case human subsistence is augmented, not only by the extension of tillage rendered practicable by the reduction in the cost of production, but also by the whole quantity of produce which the horses formerly consumed. This most important augmentation in the supply of human subsistence has now commenced. Already in this country steam is superseding horses; and it is scarcely possible to measure the extent to which this supplanting process may be carried. In a few years draught horses may disappear

from all the great lines of traffic throughout England; and it seems not improbable that, at no distant period, the plough and the harrow will be moved by steam, as well as the carriage and the waggon. Upon the funds for the maintenance of labour, the substitution of steam for cattle will have the same effect as that which would be produced by doubling the fertility of the soil. There will be an unprecedented increase in the demand for labour; double the number of people may be employed at the same wages, or the same number at double wages.

From this examination of the results of machinery, it appears that all inventions for abridging labour and diminishing the cost of production, with the exception of those in which cattle are employed as the moving power, augment the funds for the maintenance of labour, and have the effect of increasing both maximum and actual wages. It also appears that the general good which results from the employment of new and improved machinery is accompanied by partial evil. While the public acquires additional wealth, the individuals who are supplanted in their accustomed occupations are reduced to poverty. Humanity and justice demand that those who thus suffer for the public good should be relieved at the public expense. Whenever a new application of mechanical power throws a particular class of operatives out of employment, a national fund should be provided to aid them in betaking themselves to other occupations. It is a disgrace to the Legislature and to the country that the numerous body of hand-loom weavers should have been left so long in misery and destitution, and toiling to the death in hopeless competition with the power-loom. A comprehensive plan for their relief ought to have been one of the earliest measures of the reformed Parliament.

On the Manner in which the relative efficacy of British and of Foreign Labour limits the Amount of Money-wages in this Country.

It may be assumed, as a proposition not open to controversy, that in countries exporting the same description of manufactured goods, the money-wages of the operatives employed in the preparation of such goods, other things remaining the same, will gravitate towards a common level. Should England and Germany export cottons and woollens to America, and should the advantages, with regard to the production of these articles be equal in the two countries, then it would be evidently impossible for the English manufacturer to pay higher money-wages than the German. But, on the other hand, should England possess an advantage over Germany with regard to the cheapness of fuel, to the efficiency of machinery, or to the skill and energy with which manual labour is applied; then, in either of these cases, the English manufacturer who prepared cottons and woollens for the foreign market, could afford to pay higher money-wages than the German to the extent of the superiority possessed. For example, should the superiority possessed by England be such as to enable 100 operatives to execute in this country the same quantity of work which it required 125 to execute in Germany, then the English capitalist could afford to advance, as the wages of 100, the same sum which might be advanced in Germany as the wages of 125. Under the circumstances assumed, money-wages would remain 25 per cent. higher in England than in Germany.

For a long series of years England possessed such superior advantages in manufacturing industry, that she was enabled to execute, with a given number of hands, a much greater quantity of work than that which could be executed by the same number of hands in other countries; and the necessary consequence was, that money-wages became considerably higher

in England than on the continent of Europe. While the wars of the French revolution paralysed the industry of the continent, England, mistress of the seas, enjoying internal security, and employed in developing the new mechanical power created by her Watts and Arkwrights, was possessed of exclusive advantages, which conferred upon the produce of any given quantity of her labour a value far exceeding that which, under the then existing circumstances, it was possible for the produce of the same q antity of continental labour to acquire. It would be scarcely too much to say that, in some branches of manufacture, one English operative, d ring the early development and application of the new mechanical power, could execute a greater quantity of work than that which could be performed by 100 operatives in other manufacturing countries. On the lowest average estimate, the goods produced by one pair of hands in England were of greater value than the goods produced by ten pair of hands out of England. The English manufacturer, who sent his fabrics to the countries of the mines, received, in proportion to the labour employed upon them, a much larger quantity of the precious metals than that which could be obtained by the foreign manufacturer. As the produce of a given quantity of English labour exchanged for a greater quantity of gold than the produce of the same quantity of foreign labour, the English labourer was enabled to command higher money-wages than the foreign. High money-wages created a high money demand for provisions, and for all home productions, the cost of which the new mechanical power had not reduced. The value of all foreign productions, including the precious metals, fell in relation to the produce of domestic labour, to that labour itself, to land, to taxation, and to the public debt. The condition of the industrious classes improved through the combined operation of these causes. While money wages and profits, estimated in money, rose, the prices of those articles of comfort and convenience to which the progressive improvements in mechanical power

could be applied, gradually declined; the prices of foreign commodities, whether necessaries or comforts, did not rise in an equal proportion to the rise in money-wages, while the high value of the produce of given quantities of labour in relation to land, and to other descriptions of fixed property, tended to abate the pressure of taxation. Under these circumstances, the real reward of labour, and the general scale of comfort, became higher in England than on the continent of Europe. The world became tributary to England. The extent of the superiority which the people of this country acquired from the exclusive possession of the improvements in mechanical power, and from the monopoly of commerce, growing out of the incidents of the revolutionary war, it would be difficult to estimate. It appears to be generally admitted, that it was the almost miraculous increase in the productive power of British industry, coincident with the war, which supplied the means by which the war was carried on. While some have affirmed that "James Watt was the real conqueror of Napoleon," others have seen in the inexhaustible resources so suddenly and so opportunely conferred upon England, a special interposition of Providence for the deliverance of Europe. "The war was unquestionably one of finance. It could not have been carried on in Europe without an enormous and wholly unexampled expenditure. It was necessary to pay the thrones of the whole continent even to fight for themselves. Without our loans, they must have submitted and increased the vassals and the armies of France. The power of lending is not unlimited; and England had long felt that she had reached the natural limit of taxation. To avoid this pressure by sharing it with America, she had even hazarded and suffered the loss of her colonies. And just then, as the very crisis was approaching which was to lay upon her a burthen which she had never calculated on bearing, or being able to bear—a crisis, too, which, near as it was, no man had been able to foresee, an extraordinary

means of wealth was put into her hands; sustained and followed by the sudden discovery of the most powerful instrument of skill and labour ever given to man; and the combined effort *did* enable England to subsidize all Europe, to fight the universal tyrant in defence of the universal cause, to pour out millions upon millions amidst universal bankruptcy, and, finally, to achieve a miraculous deliverance. What can be more complete than the proof, except the actual pouring down of a stream of gold from heaven before our eyes? The stream of gold was actually poured; and though it did not come in the shape of miracle, yet its source might not be the less providential for its winding its way through the ten thousand channels of society to issue in the noblest use of the wealth of nations. Extensive interests were dependent on success; the ultimate overthrow of the revolution with all its evils, the restoration of European order, and the palpable triumph of sound principles in government and religion, were so clearly connected with this country, that we, at least, should not be surprised to find that its success had been provided for by the great Protector of human happiness." *

In achieving the deliverance of Europe, England resigned some portion of the exclusive advantages by which the means of continuing the contest had been supplied. With the restoration of peace, the industry of the Continent revived; the seas were opened to the flags of the world; and the facility of international communication extended to other commercial countries that knowledge in the application of scientific power which had for so long a period been confined to England. The difference between the efficacy of British and of foreign labour became less and less. The goods produced in England, by a single pair of hands, would no longer exchange for the goods produced in other countries by many pairs of hands; and as the produce of British industry ex-

* "Blackwood's Magazine," for October, 1842.

changed for a less quantity of foreign productions, including the precious metals, money-wages, and the prices of home productions, necessarily declined. It is now too late to inquire to what extent the depression occasioned by the transition from war to peace might have been mitigated by the early adoption of an enlightened course of commercial policy. Erroneous legislation aggravated the evil. The restrictive system, of which we set the example, has been turned against us. The industrial processes indigenous to England have been acclimated in other countries. Our former customers are our present rivals. How this state of things might have been prevented, postponed, or mitigated, is not the problem which has now to be solved; the duty which devolves upon the statesman of the present day is, to save the industrious millions from the effects of a transition partly resulting from the progress of knowledge, and of improvement in other countries, and partly created by the tariff war, waged universally against British commerce.

We must ascertain the character of the disease before we can apply an appropriate remedy; we must probe the wound to the bottom before we can determine the extent of the operation which it may be necessary to perform. Before proceeding to the consideration of practical measures, it will be expedient to revert to the circumstances which have occasioned the progressive decline of wages in England, and to measure the extent to which, if not counteracted, the depression is likely to proceed.

The superior advantages which have hitherto rendered the produce of a given quantity of English labour more valuable than the produce of the same quantity of foreign labour, and which have consequently enabled the English to command higher wages than the continental operative, are, mechanical inventions, manual dexterity, and productive coal mines. Now, ever since the termination of the wars of the French revolution, foreign countries have been approaching nearer

and nearer to an equality with England, with regard to these advantages; and the consequence has been, that the value of the products of foreign industry has been gradually rising, in relation to the products of British industry; or, to express the same result in other words, the value of the produce of British industry has been gradually falling, in relation to the products of foreign industry, including in these products the precious metals. This decline in the value of British goods involved, as its inevitable consequence, a decline in money-wages. As the master manufacturer obtained a less quantity of gold for the produce of the same quantity of labour, his only alternative was, to pay less wages, or to carry on a losing trade, terminating in bankruptcy, and in a total cessation of wages.

Should the causes now adverted to continue in operation, wages must continue to decline. Should foreign countries attain to an equality with England, as regards the advantages which give efficacy to industry, English wages must fall to the foreign level. And should our Continental rivals, in their rapid progress of improvement, acquire superiority in manufacturing any principal staple for exportation, then wages in England will continue to decline, not only until they shall have touched the Continental level, but until they shall have sunk below it. Let the comparative efficacy of industry be such that it requires in England 110 pair of hands to produce, for exportation, the same goods which can be supplied by 100 pair of hands in rival countries, and then the money-wages of the English operative will fall 10 per cent. below the foreign level. The circumstances which may be expected to affect the comparative efficacy of British and of foreign industry form one of the most important subjects of inquiry which, in the actual condition of England, can be brought under the consideration of the practical statesman.

The main causes which have hitherto conferred upon the

produce of a given quantity of British labour, the power of purchasing the produce of a greater quantity of foreign labour, are, as has been already stated, the employment of superior machinery, greater energy and skill in the application of manual labour, and the possession of more accessible coal mines. Is it reasonable to suppose that, in the present circumstances of the world, England can maintain a permanent monopoly of the advantages which enable a given number of hands to execute a greater quantity of work in one locality than another? In the actual state of knowledge and of international communication, the adoption of the latest improvements in scientific power cannot be confined to any particular country. A rigid enforcement of laws against the exportation of machinery might possibly retard, but could not ultimately prevent the inevitable result. If the exportation of our machines could be prevented, the makers of our machines would be induced to emigrate; and in the long run, we should lose the advantage of manufacturing superior machines for the foreign market, without being able to secure their exclusive application. As regards energy and skill in the application of manual labour, it would be presumptuous to assume that the English operative will continue ever superior to the robust and persevering German. These artificial advantages rival nations will acquire.

In the employment of machinery, and in the efficacy of manual labour, England cannot continue to retain any marked superiority over other manufacturing countries. With respect, however, to the natural advantage of accessible coal fields, the case may be different. Coal abounds in Belgium, and in Prussia; but it is believed that the coal of these countries is of an inferior quality to that found in many parts of Britain; while it is less conveniently situated, with respect to the seats of manufacturing industry. Should this be the case, then, to whatever extent the possession of the natural advantage of cheaper fuel may enable a given number of

hands in England to execute a greater quantity of work than the same number of hands can execute upon the Continent, to that extent, and to that extent alone, can the English operative, who works for the foreign market, continue to receive higher money-wages than the Continental operative, who works for the same market. Other things being the same, the amount which the master manufacturer saves by the purchase of cheaper fuel, he may employ in the payment of higher wages. If, in the production of a given quantity of goods in England, ninety-five men are employed in the factory, and five in providing fuel, while in the production of the same quantity of goods upon the Continent, ninety-five men are employed in the factory, and ten in providing fuel, then the amount of money-wages which is paid to 105 workmen on the Continent, may be paid to 100 in England. But it is obvious that, under the circumstances assumed, money-wages in England could not exceed money-wages on the Continent, by more than 5 per cent. For should the English operatives succeed for a time in compelling their employers to pay money-wages exceeding the Continental level by more than the difference in the price of fuel, the inevitable consequences would be, that the English manufacturer would be undersold in the foreign market, and that the operative would be thrown out of work. No combination amongst labourers, no liberality on the part of capitalists, and no interference on the part of the Legislature, could by possibility avert these results. In a country extensively engaged in manufacturing for foreign markets, no artificial mounds can be created for damming up money-wages above the level determined by foreign competition.

On the Manner in which the Import Duties imposed by Foreign States on British Goods lower the Value of British Labour.

The effect of hostile tariffs upon wages remains to be traced. We have seen that when the labour and capital employed in supplying foreign markets with British fabrics increase in a higher ratio than the labour and capital employed in foreign countries in supplying equivalents, the money-wages of the British operative must be pressed down below the amount which would otherwise be due to his energy and skill. Now we shall find, upon a due consideration of the subject, that the fall of wages, occasioned by the disproportionate increase in the labour and capital employed in manufacturing for foreign markets, must receive a grievous aggravation from the heavy import duties imposed by foreign countries upon British goods.

Goods of the same kind and quality cannot be sold in the same market at different prices. Were the efficacy of industry greater by 10 per cent. in England than in Belgium, and were a perfectly free trade established between the two countries, then a bale of goods produced in England by the labour of 100, would sell in the Belgian market for the same sum which a similar bale produced in Belgium by the labour of 110 would sell for; and, consequently, the money-wages of the English might exceed by 10 per cent. the money wages of the Belgian operatives. But the commerce between England and Belgium, instead of being perfectly free, is restricted by import duties. Belgium, in order to protect her domestic manufactures, imposes a duty of 10 per cent. *ad valorem* upon the importation of woollen cloths; and, consequently, the British manufacturer who sends woollens to the Belgian market can obtain, after the deduction of the duty, only 90*l.* for the same quantity and quality of goods for which the Belgian manufacturer obtains 100*l.* The

amount of the Belgian duty is deducted from English wages. If, as we have just assumed, the superior efficacy of British industry were such that 90 English operatives could execute as much work as 100 Belgians, then English wages, instead of maintaining a due proportion to the efficacy of English labour, would fall to the Belgian level.

Again, the Belgian tariff imposes a duty of 21 per cent. *ad valorem* upon certain descriptions of linen fabrics. The British manufacturer who should send such fabrics to the Belgian market, could obtain, after the deduction of the duty, only 79*l.* for a bale of the same description of linen goods for which the Belgian manufacturer obtained 100*l.*; and, consequently, if the whole of the labour, direct and indirect, employed in preparing the bale of linens were 90 in England and 100 in Belgium, the sum received as wages by 90 English labourers would be less by 21*l.* (the amount of the duty) than the sum received by 100 Belgians. In other words, the English operative employed in the linen trade could earn, notwithstanding the superior efficacy of his labour, amounting by the supposition to upwards of 10 per cent., only 17*s.* 6½*d.*, where his Belgian rival would earn 1*l.*

Previous to the recent modification of the tariff of the German Customs Union, the duties payable upon British goods, throughout the immense territory comprised within the Zolverein, were equivalent to 90 per cent. *ad valorem* upon coarse fabrics, 32 per cent. upon superior shirting, 15 per cent. upon printed cottons, worth 1*s.* 6*d.* per yard, and about 9 per cent. upon fine printed cottons, worth 2*s.* 6*d.* per yard. By the new tariff, the duty upon cotton warps is advanced from the former amount of two dollars per hundred weight to three dollars, being an increase of 50 per cent.; on worsted, and worsted and cotton mixed goods, if printed, embroidered, or *broché*, the duty is increased from 30 to 50 dollars per hundred weight, or 66 per cent.; while upon hardware the increase of duty amounts to cent. per cent.

The operation of these duties, as regards comparative wages, will be immediately apparent. It is obvious that the British manufacturer, who competes with the German manufacturer in the markets of the German union, must be compensated for the whole amount of the duty which he may be required to pay, either by the superiority of British labour as compared with German labour, or by the degradation of British wages below the German level. But Germany, with her orderly and persevering population, with her coal mines, her navigable rivers, and her projected railroads, is gradually approaching towards an equality with England in all that relates to the efficacy of industry. The causes are already in full and resistless operation, which will render it impossible for the British manufacturer to retain possession of the German market, except upon the condition of a progressive reduction of wages in England.

The tariffs of the other principal states of Europe are yet more injurious than that of the German union. The import duties imposed by France limit our exports to that country to an inconsiderable amount; the charges upon imports exacted by Russia deprive us of the power of paying in manufactured goods for the enormous amount of produce which we annually receive from her; and by the Austrian tariff duties equivalent to 60 per cent. *ad valorum* are imposed upon all kinds of cotton manufacture, upon earthenware, hardware, and woollen goods of all kinds. It would be superfluous to repeat the details of the process by which these hostile tariffs contribute to depress the wages of labour in England. The *modus operandi* is alike in all. As commodities of the same kind and quality cannot be sold in the same market at different prices, the price which the British manufacturer, who exports goods to any foreign country, can actually realize, must be less, by the amount of the import duty which he pays, than the price realized by the manufacturers of that country for similar goods. For this dimi-

nution in his receipts the British manufacturer must be indemnified, either by the superior efficacy of the labour which he employs, or by the inferior price which he pays for it. But the progress of knowledge and of improvement is gradually bringing up the efficacy of foreign labour to an equality with that of British labour; and it follows, as an inevitable consequence, that the British manufacturer who continues to work for foreign markets will be compelled to enforce a reduction in wages equivalent to the import duties charged upon his goods.

England possesses no superiority over the United States of North America as regards the advantages, whether natural or acquired, by which the efficacy of industry is increased. Within the Union there are coal fields and water power to an almost unlimited extent; some of our latest improvements in the application of mechanical power have been borrowed from the States; our transatlantic brethren are in no way inferior to us in energy, dexterity, and skill, and they grow, while we import, the raw material of our most important manufacture. There is no cause in operation which can enable a given number of hands to execute a greater quantity of work in England than in the United States. Were it not that wages are lower in England than in America, British fabrics could not be sold in the markets of the United States. In the coarser cotton fabrics, the greater cheapness of the raw material appears sufficient to indemnify the American manufacturer for the higher wages which he pays, and to enable him to compete successfully with his British rival in distant markets. Wages pressed down something below the American level, would be the condition upon which alone the British could undersell the American manufacturer in the American market, even if America could be induced to abandon her tariff, and to admit British fabrics duty free. This we cannot hope for. Under the Compromise Act, and previous to the recent modification of the American tariff, the

import duties were to be limited to 20 per cent. These duties have now been enormously increased, and it is the avowed design of the Whig party in the Union to adopt the protective system to such an extent as to give the American manufacturer a monopoly in the home market. Should this policy prevail, a fall of wages in England, to the lowest level at which life can be sustained, will be the melancholy condition upon which alone an extended sale of British goods in the American Union can be effected. But a result less disastrous may perhaps be anticipated. High protecting duties in favour of the manufacturers of the northern states must prove so injurious to the cultivators of the southern states that it seems not unreasonable to hope that the continuance of such duties may be successfully resisted, and the more liberal policy of the Compromise Act re-established. Let us take the most favourable view of the subject, and endeavour to estimate the relative amount of wages in England and America, under the supposition that America will consent to abandon her existing tariff, and to revert to the policy by which her import duties were to be limited to 20 per cent.

It is evident that British and American goods of the same kind and quality, must be sold to the consumer in the American market at the same price; and it is equally evident, that if the British manufacturer has to pay a charge of 20 per cent. from which his competitor is exempt, he must be enabled, either by employing fewer hands or by paying lower wages, to effect a diminution in the cost of production equivalent to the impost. But as industry is not less effective in the United States than in England, the British manufacturer cannot employ fewer hands than the American, in bringing his commodity to market; and it follows, as a necessary consequence, that the import duty imposed by America upon British goods, must fall on British wages.

The manner in which an American import duty of 20 per

cent. would affect British wages may be thus analysed. England and the United States being on a footing of equality with regard to the efficacy of their industry, an American manufacturer, after advancing 100*l.* on account of the wear and tear of machinery, fuel, and raw material, and another 100*l.* on account of wages, produces a bale of cotton goods, which he sells for 220*l.*, or at a profit of 10 per cent.; while the British manufacturer, after advancing 100*l.* for machinery, fuel, and materials, and employing the same number of hands as the American, sends to the American market a similar bale of goods, sells them there for the same price of 220*l.*, and pays the import duty of 20 per cent. or 45*l.* upon them. In this case it is self-evident that if the British manufacturer had paid, like the American, 100*l.* for wages, he would have suffered a loss of 25*l.* upon the transaction. Though the price paid by the consumers was 220*l.*, yet the price realized by the manufacturer, after the deduction of duty, was only 175*l.*; and consequently, if his profit was to be 10 per cent. his whole outlay, in sending his bale of cottons to market, could not have exceeded 158*l.* Of this sum, he must have paid 100*l.* on account of machinery, moving power, and materials (England and the United States being by the supposition on an equality in these particulars), and, consequently, the British manufacturer could have paid only 58*l.* to the same number of operatives to whom the American manufacturer paid 100*l.*

The hypothetical case thus assumed, for the sake of illustration, will perhaps be sufficient to explain the manner and degree in which the tariff of the United States tends to force down English wages below the American level. England and the United States are so nearly upon an equality with regard to all the circumstances which contribute to give efficacy to industry, that the British manufacturer cannot procure machinery, moving power, and raw material, at less cost than the American manufacturer; and it therefore follows, that when British manufactures, similar to the protected

American manufactures, are sold in the American markets, it is upon the wages of the English operative that the American import duties must ultimately fall.

It may be asked, why is it necessary that the English capitalist should dispose of his goods upon the same advantageous terms as the American capitalist? and why should not the import duty, imposed on British fabrics, be deducted from the profit of the master, instead of from the wages of the operative.

The first answer to these questions is, that the ratio in which the value of finished goods can be made to exceed the cost of their production, is not sufficient to allow of the payment of heavy import duties out of the master's profit. The second answer is, that were it even practicable to give to manufactured goods a marketable value, exceeding their productive cost in such a proportion as to leave a margin equivalent to the duty charged upon them, that duty could not be made to fall on profits, without disturbing the equilibrium which capital throughout the commercial world has a constant tendency to maintain. Profits conform to a general level more rapidly than wages; money is transferred from one country to another with little difficulty, and at little cost; labour is so transferred with considerable difficulty, and at considerable cost. A bill of exchange wafts capital across the Atlantic; to convey the operative requires an expensive voyage, the cost of which he may be unable to defray. A slight difference in the rate of profit moves masses of capital from one locality to another; a considerable difference in the amount of wages is insufficient to occasion a corresponding transference of labour. Were the English manufacturer, who prepares goods for the American market, to pay the same wages which are paid to the American operative, manufacturing profits would be less in England than in America, by the amount of the import duty charged on British fabrics; and the inevitable consequence

would be, that manufacturing capital would migrate from England to the United States, and that the operative would be left in utter destitution. The melancholy alternative is—reduced wages, or no wages at all. Powers of production outgrowing the field of employment, foreign competition, and hostile tariffs, have already degraded, and if remedial measures be not speedily applied, must continue still farther to degrade the condition of the industrious masses, dependent upon foreign trade for the means of subsistence.

This fearful change cannot be confined to those who are directly depending upon foreign trade. The operatives employed in preparing cottons, and woollens, and linens, and hardware, for the home market, cannot command higher wages than those who may be employed in preparing similar articles for the foreign market. Unless remedial measures commensurate to the magnitude of the evil be adopted, the price of labour throughout all the manufacturing districts of the kingdom will continue to decline. Nor will the decline be limited to manual labour. The money demand for every species of personal service will become less and less. As foreign rivalry, hostile tariffs, and powers of production outgrowing the field of employment, reduce the value of the produce of British labour in relation to the produce of foreign labour, including gold and silver, foreign countries will command a greater, and England a less proportion of the precious metals circulating throughout the commercial world. The hitherto existing distribution of the metals will be progressively altered, to the disadvantage of England; and the necessary result of such alteration will be, a general fall in the price of all non-imported commodities, or, in other words, a rise in the value of money, in relation to British labour and its products.

The fall in real wages will be greater than the fall in money-wages. As the distribution of the precious metals changes to the disadvantage of England, the fall in the price

of the produce of British labour will be accompanied by a rise in the price of the produce of foreign labour. Now while England continues to import corn, and other articles of food, the price of the necessaries of life in the home market must be regulated by their price in the foreign countries from which they are imported; and hence the fall in money-wages may be expected to be followed by a comparative advance in the price of food.

The prospect which lies before us is distressing. Hitherto the standard of comfort has been higher in England than in the other countries of Europe. This higher standard may now be lowered. Should the efficacy of foreign labour rise to an equality with that of British labour, English wages must descend to the foreign level; should the disproportionate increase of the capital and labour employed in foreign trade compel us to force our fabrics into markets where they are met by hostile tariffs, the wages of the labour by which they are prepared must fall, not merely to a level with the wages of equally effective labour employed upon similar goods in the country to which we may export, but to such a depth below that level, as may be determined by the amount of the import duty imposed upon our goods. The English artisan would be compelled to exchange his wheaten loaf for the black bread of the continent; to reduce his accustomed supply of animal food, and to relinquish the tea and sugar hitherto regarded as amongst the necessaries of life. The fall would be severe. It would be a descent, not from superiority to equality, but from superiority to inferiority. The condition of the industrious classes in England, with regard to food, clothing, and lodging, would sink below that of the same classes throughout the Continent of Europe. In what spirit would the calamitous vicissitude be borne? What effects might be expected to result from this progressive deterioration of the physical condition of the working classes?

On the Effect of Combinations for reducing Wages.

In order to trace the effect of combinations for lowering wages, let us suppose, in the first instance, that the farmers in an agricultural parish, in addition to their seed and implements, have each a fund of 200 quarters of corn for the maintenance of labour, which fund is advanced to fifty labourers. In this case, the real wages (estimated in corn) of each labourer will be four quarters.

Let us now suppose, in the second instance, that all the farmers of the parish enter into a combination for reducing the wages of their workmen from four to three quarters, and that to this reduction the labourers are compelled to submit. The important question is, what would be the final effects of this combination?

It is obvious that the first effect must be a great increase in the profits of the farmers. All that the labourers lost the farmers would gain.

It is equally obvious that the farmers could retain this advantage only so long as they agreed amongst themselves to employ their increased profits, not in adding to their capital, but in augmenting their unproductive expenditure. They could not employ additional capital without bidding against each other for additional hands, and thus breaking up the combination for the reduction of wages. The existence of the combination involves the necessity of devoting the whole of the increased profits resulting from it to immediate enjoyment.

This being the case, the reduction in agricultural wages gives to each farmer an additional revenue of fifty quarters of corn to be expended by his family in the decorations of dress and furniture. In the manufacturing towns, therefore, there will be an increased demand for those articles, while there will be a diminished demand for the wrought necessaries used by the agricultural labourers whose wages are reduced. But the increase in the demand for manufactured luxuries will be

greater than the diminution in the demand for manufactured necessaries, because the revenue which the agricultural labourers have lost was partly expended upon food and partly upon manufactured goods; while the whole of the revenue which the farmers have gained, and which is equivalent to the whole which the labourers have lost, is expended upon manufactured luxuries. The result must therefore be a considerable increase in the demand for manufactured goods.

The increased demand for manufactured goods will create an increased demand for labour in the manufacturing towns; and in those towns, therefore, wages will advance. But if wages rise in the towns, while they fall in the country, a portion of the rural population will seek employment in the towns. A diminution in the supply of labour in the agricultural districts, threatening to contract cultivation, will therefore compel the farmers, notwithstanding their combination, to consent to an advance of wages.

But suppose that the combination for the reduction of wages extends to the towns, and that all master manufacturers agree together to reduce the wages of their workmen in the same proportion in which the farmers have reduced the wages of agricultural labour. The effects of this more extended combination it will be important to trace.

When, in the towns, the employers of labour have reduced wages by one-fourth, a considerable reduction will take place in the quantity and quality of the food consumed by the labouring classes in the towns. Hence, while the reduction of wages, and the consequent diminution in the consumption of food in the country districts, leave the farmers a greater quantity of agricultural produce to bring to market, the town demand for their produce will decline. One-fourth of the food and raw materials of necessaries, formerly consumed by the labouring class, will be unsaleable; one-fourth of the land must be thrown out of cultivation; and one-fourth of the agricultural population must be transferred to the towns, there to

fabricate the increased quantity of manufactured luxuries, for which the increase of profits creates a demand.

While this process is going on, there will be a great destruction of agricultural capital, and many farmers will be involved in distress and ruin. But we assume, for the sake of argument, that notwithstanding the distress and ruin through which the class of farmers must pass in attaining their object, they nevertheless adhere to the combination, and ultimately succeed in effecting a universal reduction of one-fourth in the rate of wages. Let us endeavour to trace the consequences which would flow from this reduction.

The first effect of the universal reduction of wages would be an enormous rise in the rate of profit. We can estimate, not indeed the exact, but the proximate extent of this rise. It will be determined by the average proportion which, before they were reduced, wages bore to the whole advances of the capitalist. Thus, if wages, before they were reduced, constituted one-half of the capitalist's advances, their reduction by a fourth would diminish his advances by an eighth; and, as his return would remain the same as before, the extent of the increase of profits will immediately appear; for if, before the reduction of wages, the farmers or other capitalists advanced 100 quarters as wages, and 100 quarters for other outgoings, and obtained a reproduction of 220 quarters, or a profit of 10 per cent., then it is evident that when wages are reduced from 100 to 75, the capitalist's reproduction of 220 to his reduced expenditure of 175 will yield him a profit of 25 per cent. It is obvious that, if on the average wages constituted more than one-half of the whole advances, the rise of profits would be greater; while, if wages constituted less than one-half the whole advances, the rise of profits would be less. The principle is, that any given fall in the general rate of wages will cause a greater or less rise in the rate of profits, according as wages, on the average, form a greater or a less proportion of

the capitalist's whole advances. For the purposes of our argument, it is a sufficient approximation to the actual state of things to assume that wages form one-half of the capitalist's advances; and that, therefore, a general fall of wages, to the extent of one-fourth, will raise the rate of profit, if it had been 10 per cent. before the fall of wages, to 25 per cent.

Now, the important practical questions for our consideration are—Would it be possible to keep things in this state? Would it be practicable to perpetuate this forced depression of wages and rise of profits? A little careful inquiry will convince us that it would be quite impracticable, and that the final effect of the combination would be, not to raise profits at the expense of wages, but, on the contrary, to elevate wages at the expense of profits. Let us consider, in the first place, the circumstances which would render it impracticable to keep wages at the reduced level to which the combination of employers had forced them down, and then proceed to trace the re-action and recoil by which they would ascend, not merely to their former, but to a still higher level.

To keep wages at the low level to which, by the supposition, the combination has reduced them, it would be necessary that the following circumstances, each morally impossible, should concur:—

First.—It would be necessary that the whole of the employers of labour throughout the country should expend the whole of their profits unproductively. No addition must be made to the aggregate amount of capital which they employ. The farmer must not extend his cultivation, nor the manufacturer increase his transactions. Children must not be put out to trade, but must continue to be dependent upon the profits realized by their parents, until their parents die off and make place for them to carry on business on their own account. Should any of these events occur (and unless the principles and motives of human conduct were reversed, they would

occur perpetually), the combination would be neutralized, the demand for labour would be increased, and wages would advance.

Secondly.—It would be necessary, not only that all farmers and master manufacturers, actually and directly employing labour, should abstain, as above, from increasing their capital, and extending their transactions; but also that all monied capitalists, bankers, merchants, traders, annuitants, civil and military functionaries, together with all landed proprietors throughout the country, should become parties to a combination for oppressing the labourer, and inflicting positive evil and grievous injury upon themselves. The whole of these classes must spend the whole of their incomes unproductively; or, if they make savings, must hoard them. Their accumulations, when made, they must neither employ productively themselves, nor lend out to be employed productively by others. The reduction of wages has caused the rate of profit to rise to 25 per cent., and the throwing out of one-fourth of the land which supplied the labouring classes with food and the raw materials of manufactured necessaries, by limiting the necessary extent of tillage to soils of a superior quality, must have occasioned a still further increase of profits, and have raised them to 30, perhaps to 35 per cent. The natural effect of a high rate of profit is to raise the rate of interest also. If 30, or even 25 per cent. could be made by the employment of borrowed capital, individuals destitute of capital themselves, but having the skill, industry, and integrity, which command credit, might be willing to give 15 or 20 per cent. for the use of money. But if money be lent to be employed productively the combination cannot be maintained. In order to maintain it, it is necessary that persons having money at command should hoard it in strong boxes, or bury it under ground, rather than lend it at 15 or 20 per cent. Again, the combination for the reduction of wages has thrown out of culti-

vation one-fourth of the land which formerly supplied the labouring population with food and the materials of wrought necessaries, and has therefore occasioned a total loss of rent upon all the lands thrown out, and a considerable fall of rents upon all the better soils still remaining under tillage. In order to maintain the combination, it is further necessary that the landed proprietors should join in the league for reducing and destroying the value of their own property. They must not lend their money, or their credit, at an interest of 15 or 20 per cent. to industrious and honest tenants, who would cultivate the lands which had been thrown out, and occasion a recovery of rents; because, should they advance their money, or their credit, for such a purpose, the funds for the maintenance of labour would be increased, wages would rise, and the effect of the combination would be destroyed.

Thirdly.—It would be necessary, in order to maintain the combination, that the influx of foreign capital should be prohibited. Though all the farmers and master manufacturers throughout the country should join in the conspiracy for the reduction of wages; and though monied capitalists, and merchants, and bankers, and annuitants, and public functionaries, and landed proprietors, should enter into a solemn league and covenant to lend neither money, nor credit, to any one desirous of engaging in the work of production, yet the combination would be inoperative and abortive if the importation of foreign capital were permitted. The rate of profit has a tendency to preserve a certain level, not only throughout the several districts of the same country, but also throughout the several countries of the commercial world. Should the depression of wages, and the throwing out of inferior land, raise the rate of profit in England, in any considerable degree above the level it had ordinarily preserved, in relation to the rates of profit in Holland and in France, the disengaged and floating capital of these countries would flow

into England, and there seek productive investment. The combination would therefore be ineffectual, unless the conspirators against wages could secure the co-operation of the Legislature, and obtain an Act of Parliament prohibiting the importation of food and of raw materials, and all the ingredients of directly productive capital, which constitute the fund for the maintenance of labour.

After this enumeration of the circumstances which must concur, in order to give effect to a combination for the reduction of wages, it would be superfluous to go into any argument or illustration to show that the maintenance of such a combination would be utterly impracticable. It is only necessary to trace out the process by which, were it possible, which it clearly is not, to give such a combination a brief and partial existence, it would necessarily counterwork itself, and ultimately tend, not to depress, but to elevate wages.

We have seen that the minimum below which wages cannot permanently fall, consists of that quantity of the necessaries of life which is requisite to keep up the labouring population; and we have seen that this quantity of necessaries is not a fixed immutable quantity, but varies under different climates, and under the influence of different habits of living. It is self-evident, that should wages be at their *physical* minimum, as determined by climate, a combination depressing them below this point would cut off a portion of the population; that it would diminish the supply of labour in relation to the demand; and that its ultimate effect would be, not to depress but to elevate wages. A moment's consideration will render it apparent, that should wages be at the *moral* minimum, as determined by habits of living, a combination for depressing them, if for a time successful, would be followed by similar results.

Custom is a second nature, and things not originally necessary to healthful existence become so from habit. Though the Irish peasantry, living upon potatoes and butter-milk, are

not subjected to greater mortality than their neighbours, yet were the labouring classes in England, brought up upon the more substantial diet of bread and cheese, and butchers' meat, reduced to the less nutritious food which use has rendered not unhealthful in Ireland, debility and disease would rapidly thin their ranks. A higher rate of mortality among the labouring classes would speedily follow the establishment of a combination for reducing wages. Where there were numerous families they would be thinned by death; the delicate and infirm would sink prematurely to the grave; and while more died, fewer would be born. The cautious and the prudent, and those who were attached to the former superior scale of comfort, would abstain from marriage, and from encumbering themselves with families; and thus, by rendering deaths more numerous and births less frequent, an effectual combination for the reduction of wages, however brief its existence, would, for a whole generation, reduce the supply of labour in relation to the demand. Nothing could now prevent the recoil of wages. An effective combination for the reduction of wages would bear within it the principle of almost immediate self-destruction; and, after a brief existence, would leave wages at a higher level than that from which they had fallen. For, the instant the combination should be broken up, increased capital accumulated at home, or imported from abroad, would be employed in cultivating the land which had been abandoned, and in supplying the renewed consumption of the necessaries of life. Thus there would be an increased demand for labour acting upon a diminished supply. The supply of labour, in relation both to land and capital, would be less than before, and, therefore, upon the principles already explained, both maximum and actual wages would be higher than before.

From all that has been said it must be apparent that an effectual combination for the reduction of wages can never by possibility exist. In the first place such a combination could not be established; and, in the second place, if it could be

established it could not be maintained. If not immediately broken up by productive advances made from income, or by the importation of capital from abroad, it would speedily perish by self-destruction; and its evil influence, after having for a time afflicted the labouring classes, would recoil upon the insane conspirators, lowering, instead of raising, the rate of profit, and elevating, instead of depressing, wages.

In a Country not depending upon Foreign Markets, Combinations amongst Workmen, could they be maintained, might raise Wages to their maximum, provided the supply of Labour did not increase.

The labouring classes form the great majority of every community, and, as has been already observed, a country must be considered as happy or miserable in proportion as those classes are abundantly or scantily supplied with the necessaries and comforts of life. From this principle it necessarily follows that combinations for lowering wages, could they be effectual, must be regarded as conspiracies for increasing human misery; and that combinations for raising wages, could they be effectual, must be approved as associations for the promotion of human happiness. In the whole compass of economical science the most important practical question is this, namely, Can combinations amongst the labouring classes effect a permanent increase of wages?

It is evident that, if wages were already at their maximum, a combination which should have the immediate effect of raising wages must speedily terminate in reducing them. When wages are at their maximum, profits are at their minimum; but when profits are at their minimum, an increase of wages must check production, diminish the fund for the maintenance of labour, and leave for each labourer a less quantity of the comforts and necessaries of life.

Supposing, as in our former cases, that the lowest rate of profit, for the sake of which the capitalist will continue the

work of production, is 7 per cent., then, should the farmer, advancing 100 quarters of corn for seed, and 100 quarters for the wages of 25 men, cultivate a tract of land yielding 214 quarters, profits would be at their minimum, and wages at their maximum. Under those circumstances, if the 25 labourers were to combine together and refuse to work, unless their wages were raised from 100 to 115 quarters, it is evident that all profit would be absorbed, that the tract of land must be abandoned, and that the 25 labourers, instead of continuing to receive the increased wages which they demanded from the farmer, would, at no distant period, be thrown out of work.

Now, suppose that profits, instead of being at the minimum of 7 per cent., were 10 per cent. In this case wages might rise so as to reduce profits by 3 per cent. before the last quality of land under tillage would be thrown out of cultivation. Our 25 labourers might, therefore, combine until each received as his wages four quarters and the fraction of a quarter, instead of four quarters. But should this immediate improvement in their condition, by diminishing deaths or increasing births, cause their numbers to increase from 25 to 27, the ultimate result would be, not an advance, but a decline of wages. When the farmer, cultivating a tract of land yielding 220 quarters, advanced 100 quarters as seed and 100 quarters as wages to 25 labourers, he realised a profit of 10 quarters, which is 3 per cent. above the assumed minimum. But if he advances 100 quarters as seed and 4 quarters each to 27 labourers, his advances will be 208 quarters, and will yield a profit less than the minimum of 7 per cent. He will, therefore, either reduce the wages of his 27 labourers below the original rate of 4 quarters a man, or else abandon his farm, and throw them out of employment.

In a country growing its own supplies of raw produce, not exporting manufactured goods, and, therefore, not exposed to foreign competition, a combination for raising wages can be

maintained only when accompanied by an auxiliary combination amongst the labouring classes for preventing the increase of their numbers. Let us proceed to consider the effect of a combination for raising wages in a country which, importing raw materials and exporting manufactured goods, is exposed to foreign competition. This is the practical, and, to the operatives of England, the vitally important branch of the subject.

In a Country depending upon Foreign Markets, Combinations for raising Wages beyond the limit determined by Foreign Competition, ultimately occasion, not an advance, but a reduction of Wages.

As before, we will assume, for the sake of illustration, that the actual rates of profit in England and in France are 10 per cent., and that, in both countries, the minimum rate of profit, without which the capitalist will not continue production, is 7 per cent. Under these circumstances, let us suppose that the operatives in England combine, and obtain such an increase of wages as will reduce the profits of their masters to the minimum of 7 per cent. In this case the English manufacturer cannot permanently reduce the price of his goods in the foreign market, because, if he did, he could not realize minimum profits. But the French manufacturer can afford to undersell the British manufacturer in the foreign market by 1, 2, or 3 per cent., and still realize his minimum profit of 7 per cent.; and, therefore, the necessary effect of the combination will be to cause the manufacturers of France to drive the manufacturers of England out of the foreign market.

Writers upon commercial policy, whose opinions are entitled to great respect, have contended that a rise of wages has no influence upon foreign trade. They maintain that a rise of wages is accompanied by a corresponding fall of profits, and does not, therefore, raise prices; and they further affirm that a fall in the rate of profit does not subject the country in which

it takes place to be undersold in the foreign market by other countries in which profits are higher.* The reason advanced for the doctrine, that high wages and low profits do not subject a country to any disadvantage in the foreign market is this—Should a lower rate of wages render the cost of production in France 3 per cent. higher in France than in England, and should the rate of profit be 3 per cent. higher in France than in England, the French producers might sell their goods in any foreign market 3 per cent. lower than the English producers could sell similar goods, by consenting, like the English producers, to accept a profit of 7 per cent. But it is contended that, under these circumstances, the French producers would not consent to manufacture for the foreign market at a profit of 7 per cent., for the obvious reason, that they could make 10 per cent. upon their capital in any occupation.

This argument, when stated in general terms, appears, at first sight, satisfactory; but when considered strictly and analytically, it will be seen to be wholly fallacious. The subject is so very important that it requires a detailed examination.

Let us suppose that an English and a French manufacturer have each invested 50,000*l.* in buildings and machinery, and that they each expend in a year 50,000*l.* in materials and wages. Let us also suppose that, in consequence of lower wages in France, the French manufacturer is able to employ more labourers, and to use more material than the English, and therefore fabricates, by 6 per cent. upon his floating capital, a greater quantity of goods. The goods being similar in kind and in quality, the prices obtained for them in the foreign market will be in proportion to their quantities, and the French manufacturer will sell his goods for a greater sum by 6 per cent. upon his floating capital of 50,000*l.* than the English. If the English goods sold for 57,000*l.*, the French, being greater in quantity in

* M'Culloch.

the proportion stated, would sell for 60,000*l*. Under these circumstances, would it be the interest of the French manufacturer to sell his greater quantity of goods for the same sum that the English manufacturer sold the less quantity, and thus secure a superiority in the foreign market?

When the Englishman sells his goods for 57,000*l*., he replaces his floating capital, and obtains a profit of 7 per cent., both upon his floating and upon his fixed capital; and when the Frenchman sells his goods for 60,000*l*., he replaces his advance for wages and materials, and realizes a profit of 10 per cent. upon his whole capital. Now, if the Frenchman would sell his greater quantity of goods for the same sum for which the Englishman sells the less quantity, and would be satisfied for a short time with 7 per cent. upon his original capital of 100,000*l*., he might undersell the English manufacturer and drive his goods out of the foreign market. The French manufacturer might now sell double his former quantity of goods. He might advance an additional 50,000*l*. in wages and materials, and sell the additional quantity of goods for an additional sum of 57,000*l*.; and should no additional outlay be requisite for buildings and machines, this would yield him, on his second portion of floating capital, a profit, not of 7 but of 14 per cent. It is self-evident, therefore, that if a greater quantity of materials can be worked up without an additional outlay for fixed capital, it will be the interest of the French manufacturer to take less than the average rate of profit in France upon the first portion of his advances, in order to gain more than this average rate upon the additional portions of floating capital, which he can employ by underselling the English manufacturer, and beating him out of the foreign market.

It must be apparent, that the force of this argument depends upon the fact, whether in manufacturing industry, additional floating capital can be employed without a proportionate addition of fixed capital. Now with respect to

the matter of fact there can be no doubt. The market is occasionally under-stocked, and occasionally over-stocked with manufactured goods. When the supply of such goods is deficient their production is increased; and when their supply is in excess their production is diminished. But when the production of manufactured goods diminishes, the fixed capital of the manufacturer ceases to be fully employed. It is self-evident, therefore, that amid the ebbings and flowings of the market, and the alternate contractions and expansions of demand, occasions will constantly recur, in which the manufacturer may employ additional floating capital, without employing additional fixed capital. It admits of the strictest demonstration, that if additional quantities of raw material can be worked up without incurring an additional expense for buildings and machinery, the manufacturers of the country in which the rate of profit is comparatively high, will have an interest in lowering their prices in the foreign market, so as to beat out the fabrics of the country in which the rate of profit is comparatively low.

The French and English manufacturers invest each 50,000*l.* in buildings and machines, and when their fixed capital is in full action, each can employ a floating capital of 50,000*l.* in wages and raw materials. The Frenchman, paying less for labour, is able to work up more material, and produces a quantity of goods greater to the extent of 6 per cent upon his floating capital of 50,000*l.* than the quantity produced by the Englishman. The goods of each being similar in kind and quality, if those of the Englishman sell for 57,000*l.* those of the Frenchman will sell for 60,000*l.* Now it is self-evident that, under these circumstances, it would not be the interest of the French manufacturer to undersell the English, and drive him from the foreign market. For his machinery being fully employed, he cannot advance additional floating capital for wages and materials without making a proportional addition to his fixed capital; and he

cannot realize 10 per cent., the customary rate of profit in France, upon his advances, unless the goods produced by a fixed capital of 50,000*l.*, and a floating capital of 50,000*l.*, continue to sell in the foreign market for 60,000*l.* He cannot therefore undersell the English manufacturer without employing additional capital in the foreign trade, at a less rate of profit than that which he might obtain in other occupations.

Very different would be the result, should a revulsion of trade check production, and prevent the fixed capital invested in manufactures from being fully employed. Let us suppose that the quantity of goods on hand is so much in excess that our manufacturers are obliged to diminish the supply, and instead of employing a floating capital of 50,000*l.* each, can employ floating capital of only 25,000*l.* each. In this case the factories will work only half time; only half the quantity of goods will be produced, and prices remaining the same,* the Frenchman's goods, instead of selling for 60,000*l.*, will sell for only 30,000*l.* This will replace his floating capital of 25,000*l.* with a surplus of 5000*l.*, which will amount to a profit of 6⅔ per cent. upon his whole capital of 75,000*l.* Under these circumstances it will be the decided interest of the French manufacturer to lower his prices, and drive the English manufacturer out of the foreign market. By doing so he will be able to employ an additional floating capital of 25,000*l.*, without incurring an additional expense for fixed capital, and may produce an additional quantity of goods, greater by 3 per cent. than the quantity which the English manufacturer sold for 28,500*l.* Should he sell his greater quantity for the same sum of 28,500*l.*, for which the English manufacturer sold his less quantity, he will drive the English manufacturer out of the foreign market, and obtain a return of 28,500*l.* for an advance of 25,000*l.* This

* Under the circumstances, prices would fall; but this, instead of weakening the case as now put, would render it still stronger.

will be a profit of 14 per cent. upon the additional floating capital employed. Now, by the supposition, the general rate of profit in France is only 10 per cent. Instead of obtaining less, the French manufacturer will gain much more than the customary rate of profit, by employing all the floating capital he can command in fabricating more goods at lower prices, and thereby expelling competitors from the foreign market.

Thus we see that the argument, so confidently advanced in support of the doctrine that a rise of wages has no injurious effect upon foreign trade is altogether erroneous, and involves the fallacy, unfortunately too prevalent amongst economical writers, of confounding distinctions by hasty generalizations, and of attributing to different things the same common properties, because we class them under the same common name.

The buildings and machines of the manufacturer, as well as the money with which he pays his wages and purchases his raw materials, are classed under the general denomination of capital; and those who, in their proneness for general reasoning, forget that science is analysis, fall into the error of conceiving that because capital, consisting of money, may pass from employment to employment, in order to obtain the customary rate of profit, capital, consisting of buildings and machinery, may be equally locomotive. The reasoning in support of the position that high comparative wages, and low comparative profits, are not injurious to foreign trade, and do not involve the danger of foreign competition, would be perfectly correct, provided fixed capital were not fixed. If money sunk in buildings and machinery could be made to realize the same customary rate of profit when the machinery is not employed as when it is employed, then indeed the manufacturers in a country in which profits were comparatively high would have no inducement to undersell the manufacturer of a country in which the customary rate of profits were low; because, in this case, the high comparative rate of profit might at all times be obtained upon the whole capital,

fixed as well as floating, which the manufacturers of the high-profit country employed. But so long as buildings and machinery, when not in work, exist as dead stock, realizing no profit at all, so long will it be the interest of producers to employ, at the customary rate of profit, as much of their floating capital as possible, without reference to the consideration whether, by so employing it, they realize the customary profit upon their fixed capital also. This is a consideration which will always determine whether new and additional buildings and machines shall be erected; but when once they are erected, it will be the decided interest of the manufacturer to keep them in full work, provided he can thereby secure the customary profit upon the floating capital employed in paying wages and in purchasing raw materials. Hence, when the foreign market is overstocked, it will be the interest of the manufacturer of the high-profit country to continue to supply it at prices greatly below those ordinary prices which gave the customary return upon his whole capital, fixed and floating. This customary profit on his whole capital was necessary to induce him to *commence* business, but is not necessary to induce him to *continue* it. To secure this, it is sufficient that he obtains the customary profit upon that portion of his capital which he can transfer without loss to other occupations.

An objection may here be urged. It may be contended that the argument cuts both ways, and is as applicable to the manufacturers of the low-profit as to the manufacturers of the high-profit country. If it be the interest of the latter to continue to supply the foreign market, at prices so reduced as to leave the customary rate of profit only on the moveable portion of their capital, it must be the interest of the former to do so likewise. But if the manufacturers of the low-profit country found it their interest to continue to supply the foreign market at a reduction of prices which left them customary profits on their

floating capital only, the manufacturers of the high-profit country could not undersell them without a diminution of their customary rate of profit upon that portion of their capital which they could transfer to more advantageous occupations. It follows, therefore, that a comparatively low rate of profit cannot have the effect of contracting the extent of foreign trade.

This objection proceeds upon the assumption, that prices in the foreign market never fall below that point at which the manufacturer obtains his customary rate of profit upon that portion of his capital which can be transferred without loss to other occupations; and, were this assumption conformable to fact, the objection would be valid and conclusive. But the assumption is contrary to fact. Frequent is the fall of prices below the point supposed. Revulsions occasionally occur, during which the manufacturer scarcely obtains a return sufficient to replace the floating capital he advances. Nay, in the vibrations of the market, the depression of trade will sometimes be so great that the manufacturer cannot, at existing prices, replace his floating capital, and that he continues to advance wages and materials at a positive loss, because he cannot, without incurring a greater loss, abandon his buildings and machinery; or because he is able to keep his goods on hand until the glut is removed and prices have recovered. Now, on all such occasions, the manufacturers of the high-profit country will have a decided advantage over those of the low-profit country, and will drive them out of the foreign market. Let us exemplify this process by a reference to our former case.

A French manufacturer advances a floating capital of 50,000*l.*, and produces 10,300 bales of goods; an English manufacturer also advances a floating capital of 50,000*l.*, but, as from the higher rate of wages which he pays, can employ fewer hands, and purchase less material, he produces only

10,000 bales. Under these circumstances, let us suppose that the prices of the foreign market fall so low, that the English 10,000 bales sell there for no more than 50,000*l.*, while the French 10,300 bales, of the same kind and quality, sell for a greater sum in proportion to their greater quantity, or for 51,500*l.* In this case the English manufacturer just saves himself, while the French manufacturer realizes a profit of 3 per cent. upon his floating capital.

Let us now suppose that the prices in the foreign market continue to decline, until the Frenchman's 10,300 bales, produced by a floating capital of 50,000*l.*, sell for no more than 50,000*l.*, and the Englishman's bales, produced by the same expenditure, sell for a less sum in proportion to their less quantity. In this case the Frenchman will just save himself, while the Englishman will incur a positive loss.

Thus it is self-evident, that in all revulsions of foreign trade there will be, in the country in which profits are comparatively low, a much heavier loss, and a much greater destruction of capital, than in countries in which profits are comparatively high. Should the difference in the rates of profit be considerable, the high-profit country may continue to realize moderate gains under a revulsion of foreign trade, and depression of the markets, which spread bankruptcy and ruin throughout the manufacturing districts of the low-profit country.

One other consideration remains, and it is a most important one. Floating capital has a constant tendency to transfer itself from countries in which profits are low to those in which they are high. Love of country, the inconvenience of conforming to foreign manners, and the difficulty of acquiring foreign languages, may, to a certain extent, counteract this tendency; but, notwithstanding these barriers to a perfect equalization, this tendency of profits, throughout the commercial countries of the civilized world, to gravitate towards a common level, will prevent capital from resting on those

places where the cost of production has been unduly elevated. We may lay it down as a principle established by a complete induction from experience, that manufacturing industry will establish and extend itself in those countries in which manufacturing capital obtains a high comparative reward; and will partly be driven, and partly retire of its own accord, from those districts in which manufacturing profits are comparatively low.

From these illustrations, which the vital importance of the subject has led us thus to extend into demonstrative details, we can distinctly trace the ultimate effect, upon the working classes, of combinations for raising wages in a country which exports manufactured goods. In such country the price of manufactured goods in the foreign market cannot exceed the price at which they can be supplied by the foreign producer. Now, when the price of goods is thus fixed, every increase of wages, other things remaining the same, must increase the cost of production upon the domestic producer, and lower the rate of his profit; and this reduction of profit must expose him to the successful competition of those foreign manufacturing countries in which a corresponding increase of wages has not occasioned a similar fall in the rate of profit. Upon every revulsion of trade, and stagnation of the market, this fall of profits will cause the domestic producer to be undersold in the foreign market; will compel him to contract, or to discontinue his operations, and to throw his labourers partially, or wholly, out of employment. The labourers, thus thrown out, will not be able to obtain other employment at the same rate of wages as before; because, as a less quantity of manufactured goods can be exported, a less quantity of raw material and of food can be imported, and the general fund for the maintenance of labour will be diminished. Now, if the whole of the fund for the maintenance of labour, the whole quantity of food and material, be diminished, it is self-evident that, the number of labourers remaining the

same, each individual must receive less real wages than before. It thus appears, by proof amounting to strictly mathematical demonstration, that in a country exporting manufactured goods, an effectual combination for increasing wages, which should have the effect of lowering the rate of profit below the rate obtained in other manufacturing countries, must ultimately terminate, not in an advance, but in a reduction of wages.

In a Country possessing superiority in manufacturing for the Foreign Markets, Wages may be raised within the limits of such superiority.

By the terms in which the important principle demonstrated in the preceding section is stated, it will be apparent that it is liable, in practice, to two exceptions. It is by increasing the cost of production, and by rendering profits comparatively low, that successful combinations for raising wages contract the field of industry, and limit foreign trade, and thus ultimately terminate in throwing labour out of employment, and in rendering wages lower than before. It follows, that, were they formed under circumstances which should prevent an increase in the cost of production, and a relative fall in the rate of profit, such combinations, instead of creating this injurious re-action, might permanently secure, to the labouring classes, a larger share of the necessaries and comforts of life. Here, then, a very important practical question arises, namely, what accompanying circumstances will prevent a rise of wages from increasing the cost of production, and from reducing the rate of profit below the rates obtained in other countries? Let us inquire.

Should a labourer, when he demands, and obtains, an advance of wages, execute an additional quantity of work proportional to this advance, it is evident that no increase of productive cost, no decline in the rate of profit, could be

thereby occasioned. If the farmer and the manufacturer paid more for labour, they would cultivate and manufacture more. The increase in their returns being in the same proportion as the increase in their advances, the cost of production, and the rate of profit, would remain the same. A greater quantity of necessaries and comforts would be produced, the fund for the maintenance of labour would be increased; and this increased fund, divided amongst the same number of individuals, would give an increased quantity of necessaries to each. It is obvious, nay, it is self-evident, that should a combination for raising wages be accompanied by an ancillary combination for increasing the hours of labour, and the quantity of work, in the same proportion in which wages might be increased, it would give to the labouring classes an increased supply of the comforts and necessaries of life. It might be difficult, it might be impracticable, to establish these co-operating combinations; but, were they once fairly established, no injurious re-action, or recoil, could be occasioned, and wages would be permanently increased.

There is another limitation of the principle that in a country exporting manufactured goods, and importing food and raw materials, the ultimate effect of combinations for raising wages is to reduce them below the previous level. In such a country, the manner in which a compulsory elevation occasions a permanent depression of wages is by reducing the rates of profit below the rates obtained in other manufacturing countries, and thus giving to such countries a superiority in the foreign market. Now, should the particular country in which the compulsory rise of wages took place possess an advantage over other manufacturing countries in supplying the articles demanded in the foreign market, this particular country might pay high comparative wages, and yet retain its superiority with respect to foreign trade, provided the disadvantage created by the high wages were less than the advantage arising from other causes. For example, if, in

fabricating a given quantity of cloth, the English manufacturer expends 100*l.* in fuel and machinery, 100*l.* in materials, and 100*l.* in wages, while the French manufacturer expends 150*l.* in fuel and machinery, 100*l.* in material, and 100*l.* in wages, then it is evident that a combination might raise wages in England from 100*l.* to 140*l.*, and yet leave to England the power of underselling France in the foreign market. The disadvantage arising from the high price of labour in England would be more than counterbalanced by the advantage created by the low price of fuel and machinery. After the rise of wages, the whole cost of producing the cloth in England will be 340*l.*, while in France it will be 350*l.*, and the French manufacturer will still be unable to compete with the English in the foreign market. Nor would such a rise in the reward of labour be injurious to the employers of labour.

In a country which can manufacture for the foreign market at a less cost than others, a compulsory rise of wages, provided it did not go the length of equalizing productive cost, would not have the effect of reducing manufacturing profits. Under such circumstances, the price of manufactured goods would rise in the foreign market, and it would be the foreign consumer, and not the home capitalist, who would pay the advance of wages obtained by the operative class. The great value and importance of this fact will justify us in again resorting to the details of an illustrative example.

If in England and in France the cost of production were equal, and the ordinary rate of profit 10 per cent., then should the English and the French manufacturer expend each 100*l.* in fabricating and conveying a given quantity of cloth for the foreign market, in that market this quantity of cloth would sell for 110*l.* Now, suppose that in England the discovery of cheaper fuel, or an improved machine, enables the manufacturer to fabricate and convey this quantity of cloth for 90*l.*, instead of for 100*l.*; then, while it continues to sell in the

foreign market for 110*l.* he will realize a profit of 22 per cent. But this high rate of profit would attract capital to the business of fabricating cloth, until the increasing supply of the article so reduced its price as to leave the producer no more than the ordinary profit of 10 per cent. The quantity of cloth which had sold for 110*l.*, when its productive cost was 100*l.*, will sell for no more than 99*l.* when its cost is reduced to 90*l.* The French manufacturer would be driven out of the foreign market; but though the English manufacturer would obtain the exclusive supplying of that market, and would consequently be able to sell a much larger quantity of goods than before, yet *domestic competition* would effectually prevent him from realizing a higher rate of profit than before.

Let us now suppose, that, after these effects have been produced, the operatives in England combine, and obtain an advance of wages, which raises the cost of fabricating the given quantity of cloth from 90*l.* to 98*l.*, while this quantity of cloth continues to sell in the foreign market for no more than 99*l.* This advance of wages will reduce the manufacturer's profit from 10 to little more than 1 per cent. But capital would gradually be withdrawn from an occupation yielding so slender a return; and, even if not withdrawn from the actual fabrication of cloth, the more wealthy manufacturers would keep their goods on hand until the diminished supply in the foreign market elevated prices, and enabled them to realize ordinary profits. The quantity of cloth which, before the rise of wages, and the consequent increased cost of production, had sold for 99*l.*, will now sell for 108*l.* in the foreign market. This rise in the price of British goods will not, however, deprive the British manufacturer of the exclusive supply of the foreign market; for by this supposition, he is still able to undersell the French manufacturer by nearly two per cent. But, if the British manufacturer realizes the same rate of profit as before, and retains,

as before, the exclusive supply of the foreign market, it is evident that the advance of wages obtained by the operative, must be paid by the foreign consumer, in the increased price of cloth.

Thus it appears, upon the fullest evidence, that in a country possessing a superiority over other manufacturing countries, in producing goods for the foreign market, the rate of wages may be increased above the rates obtained in other countries to nearly the whole extent of such superiority, without reducing the rate of profit, or exposing the manufacturer to foreign competition. But it will also appear, upon evidence equally conclusive, that this higher scale of wages cannot be maintained, if the operatives increase their numbers beyond the demand for labour. If, in any neighbourhood, 1000 hands are required to fabricate the goods demanded in the foreign market, and if the hands increase from 1000 to 1100, no possible combination amongst the operatives can avert a fall of wages. We have seen that all that it is possible for the most perfect combination to perform is, to increase the rate of wages to nearly the whole extent of whatever superiority the country may possess in supplying goods for the foreign market. When a rise of wages to this extent has been obtained for that number of labourers which may be required to fabricate the quantity of goods demanded in the foreign market, the price of labour cannot be further increased without losing the foreign market. But if a combination so limited the hours of labour that it required 1100 to do the work formerly done by 1000, and if each of the 1100 should receive the same wages formerly received by each of the 1000, the price of labour and the cost of production would be increased, the foreign market would be lost, and the whole of the labourers which supplied it would be thrown out of employment. If the combination should limit the hours of labour, the wages of each labourer must be reduced in proportion to the diminution in the work he performed; and should the combination, without reducing the hours of labour,

limit the number of hands who should offer themselves for employment, those who were employed would have to maintain those who were unemployed, which would be the same thing in effect as a reduction of wages. To retain possession of the foreign market, and at the same time to increase the price of a given quantity of work beyond the proportion of the superiority possessed in supplying the foreign market, is manifestly impossible. But if the price of a given quantity of work cannot be increased, while the hands employed in performing it are increased, it is self-evident that the wages of each individual must be reduced. In a country possessing superiority in supplying goods for the foreign market, a combination, could it be formed and maintained, might effect an advance of wages within the limits of that superiority, provided the number of hands seeking for employment did not increase in a greater proportion than the quantity of work to be performed.*

On the manner in which limiting the time of Labour to Ten Hours would reduce Wages.

The Ten Hours Bill is objected to by many political economists as contrary to *principle,* as being at variance with the established—the cardinal doctrine of *laissez faire.* This objection is untenable. In the majority of instances in which it is put forth, the maxim, *laissez faire,* is an imitative sound, repeated with as little effort of discriminating thought as that which distinguishes

"The coxcomb bird so talkative and grave."

Governments are established for the benefit of the governed; and every species of interference on the part of the governing body, which is beneficial to any decided majority of the governed, must be a legitimate interference. The principle of non-interference can be applicable to those

* A considerable portion of the preceding pages has been taken from a tract by the same author, published several years ago, and now out of print.

circumstances only, in which interference would be productive of mischief; in all those cases in which the interference of the central authority in the transactions between man and man, is capable of effecting good or averting evil, *laissez faire* is a criminal abandonment of the functions for the performance of which a central authority is established and maintained. The hasty generalization which erects the principle of *laissez faire* into an absolute truth, applicable under all circumstances, and to be adhered to for its intrinsic excellence, is empiricism under the guise of science.

The expediency of a Ten Hours Bill must be determined by the self-same rules, which we have applied in determining the expediency of combinations for raising wages. Combinations, unaccompanied by violence or intimidation, are expedient and legitimate when their object is to raise wages to their *maximum*, and are inexpedient and illegitimate when they proceed a step further, and attempt to raise wages above their *maximum*. We have seen that when wages are at their *maximum*, profits are at their *minimum;* and that when profits are at their minimum, any temporary advance of wages must check production, diminish the demand for labour, and thus terminate in a reduction of wages below their former level. Analogous effects would be produced by a Ten Hours Bill. If, in the actual state of manufacturing industry in this country, wages are below the maximum, and profits above the minimum, then the same wages might be given for ten hours' labour which are now given for twelve hours, without suspending industry and throwing the operative out of employment; while, if wages be already at their maximum and profits at their minimum, a diminution in the hours of labour must inevitably lead to a corresponding diminution in the amount of wages.

Foreign competition and foreign tariffs are progressively depriving the British manufacturer of the superiority which he has hitherto possessed over the foreign manufacturer.

Let me entreat your Lordship to consider whether, in the actual circumstances of the world, it would be possible that the British operative should continue to receive for ten hours' work the same amount of wages which he now receives for twelve hours' work. Is there a foreign market in the world to which our fabrics could be exported with a profit, were the cost of their production to be increased by the payment for the labour of ten hours, of the same amount of wages which is now paid for twelve? Let us examine this most momentous question in detail.

Our most important market is that of the United States. Under a Ten Hours Bill could this market be retained without a reduction of wages proportionate to the reduction of time? The United States possess districts of the finest coal and iron in juxtaposition, and lying near the surface; water power to an incalculable extent; indigenous supplies of cotton wool, with machinery, enterprize, and persevering industry not inferior to our own. Were America to open her ports to British fabrics, duty free, the wages of the English operative might possibly equal, but could not by possibility exceed, the wages of the American operative. But America, instead of receiving our fabrics duty free, charges a duty of 40 per cent. upon them. The price which the English manufacturer realizes for his goods in the American market, must be less by the amount of the import duty than the price which the American manufacturer realizes in the same market for the same goods. Under such circumstances it is morally impossible that the English manufacturer who supplies goods to the market of the United States, should pay to the operative an amount of wages equal to that paid by the American manufacturer. Let the hours of labour remain the same in the two countries, and the English operatives who work for the American market can continue to obtain employment only by consenting to receive an amount of wages so much below the amount received by the American operative, as may be

sufficient to indemnify the English manufacturer for the duty charged by America upon British goods. Let the time of labour be ten hours in England and twelve in America, and then the English operative cannot obtain employment in working for the American market, unless he will consent, not only to receive an amount of wages reduced below the American level to an extent equivalent to the duty imposed upon British goods, but to submit to a further depression equivalent to the difference between twelve and ten. This result may be more distinctly shown by an illustrative case.

Let us suppose, as the basis of our illustration, that the rate of manufacturing profit in England is 7 per cent., and in America is 10 per cent.; that an English manufacturer and an American manufacturer have each a fixed capital of 100,000*l.* invested in buildings and machinery; that in the course of a year each works up materials to the amount of 20,000*l.*, employs 400 operatives, expends 5000*l.* in keeping his fixed capital unimpaired, produces 1000 packages of goods, and sells them in the American market for 125,000*l.* Under these assumed circumstances (and they are sufficiently analogous to actual circumstances to show the practical operation of the American tariff upon British wages), the American operative would receive 2*s.* as wages for every shilling which would be received by the English operative. The accounts of the two manufactures would stand as follows.

CASE I.

Account of the Expenditure and Return of the American Manufacturer.

EXPENDITURE.

	£.
Raw materials	20,000
Wages to 400, at 4*l.* per week, for 50 weeks,	80,000
	£100,000

RETURN.	£.
Sold 1000 packages of goods . . .	125,000
Deduct expenditure	100,000
Gross profit	25,000
Deduct replacement of fixed capital .	5,000
Net profit being 10 per cent. upon the whole capital, fixed and circulating, of 200,000*l*.	£20,000

CASE II.

Account of the Expenditure and Return of the English Manufacturer.

EXPENDITURE.	£.
Raw materials	20,000
Wages to 400, at 2*l*. per week, for 50 weeks,	40,000
	60,000

RETURN.	
Realized by the sale of 1000 packages for 125,000*l*. after payment of the duty of 40 per cent.	75,000
Deduct expenditure	60,000
Gross profit	15,000
Deduct replacement of fixed capital .	5,000
Net profit being less than 7 per cent. upon the whole, fixed and circulating capital, of 160,000*l*.	£10,000

These figures, my Lord, bring out startling results. They show that one operative in an American cotton-mill may earn an amount of wages equal to the amount which can be earned by two operatives employed in an English cotton-mill;

or, to express the same thing in other words, that an American operative may receive for one day's work the same amount of wages which the English operative can obtain for two days' work.

Your Lordship will not deny that the results of these figures are in melancholy accordance with existing facts. They exhibit with appalling accuracy the causes of the wide disparity which exists between the condition of the manufacturing population in England and in the United States. Mr. Dickens has exhibited the enviable position of the factory girls in the establishments of the Union; your Lordship has unveiled the degradation, physical and moral, into which the women and children employed in the establishments of England have fallen. The contrast is humiliating and appalling. No heart which a spark of humanity ever warmed can withhold from your Lordship the homage of respect, approval, and sympathy, for the untiring zeal and noble disregard of personal considerations, with which you have devoted yourself to the removal of the moral plague spot from the land, and to the performance of the Christian labour, of giving to our manufacturing population the means of social elevation, by securing to them a "fair day's wage for a fair day's work." Your motives are beyond all praise. The only question is, whether the measures which you propose would not aggravate the evils which they are intended to remove. Let us endeavour to solve this momentous question by tracing, through the unerring evidence of figures, the effects which a Ten Hours' Bill would have on the wages of the operative classes engaged in supplying the demand of our most important foreign market.

The expenditure and return of the American manufacturer remains as stated in Case I. Under a Ten Hours Bill the expenditure and return of the British manufacturer would be as follows:—

CASE III.

Showing the Effects of a Ten Hours Bill upon the rate of profit should Wages not be reduced in those branches of Manufacture which are dependant on the Markets of the United States.

In this case the English manufacturer continues to employ a fixed capital of 100,000*l.*, and to pay 40,000*l.* in wages, while working for ten hours instead of for twelve; he expends in materials 16,667*l.* instead of 20,000*l.*; produces 833½ packages of goods instead of 1000; and obtains for them in the American market 104,167*l.* instead of 125,000*l*, which he formerly obtained for the larger quantity. His account will now stand thus:—

Expenditure.

	£.
Raw materials	16,667
Wages	40,000
	56,667

Return.

Realized by the sale of goods to the amount of 104,167*l.*, after deducting 40 per cent. on account of duty . .	62,501
Deduct expenditure	56,667
Gross profit	5,834
Deduct for repair of fixed capital . .	5,000
Net profit, being little more than ½ per cent. upon the whole capital, fixed and circulating, of 156,667*l.*	£834

The figures demonstrate, that under the operation of a Ten Hours Bill, it would be impossible that the operatives engaged in those branches of manufacture which are de-

pendant on the markets of the United States should continue to receive the same amount of wages as at present. No Legislative enactment, no human power, can sustain wages above the amount which leaves to the capitalist a rate of profit sufficient to induce him to continue the work of production. It appeared by Case II., that while the Government of the United States continues to impose a duty of 40 per cent. upon British fabrics, profits would be below their minimum of 7 per cent., even were the English operative to receive only half the wages which are received by the American. But when profits have fallen to their minimum wages have ascended to their maximum. Force wages above the maximum and you suspend production. Enact your Ten Hours Bill and one of two events must inevitably ensue:—the manufactures of England will be transferred to foreign lands, or else the operatives must submit to a reduction of wages to the extent of 25 per cent. That a reduction of wages to this extent would be necessary, in order to enable the manufacturer to sell his fabrics in the American market at the minimum profit of 7 per cent. the following figures will serve to explain:—

CASE IV.

Showing the Effect of a Ten Hours Bill upon the Wages of the Operatives working for the American Market, under the assumption that Profits are at the Minimum of 7 per Cent.

Expenditure.

	£.
Raw materials, as in Case III. . .	16,667
Wages reduced by one-fourth, or 25 per cent. below those of Case III. .	30,000
	£ 46,667

RETURN.

	£.
Proceeds of sale of goods, after deducting duty, as in Case III.	62,501
Deduct expenditure	46,667
Gross profit	15,834
Deduct replacement of fixed capital .	5,000
Net profit on fixed and circulating capital, amounting to 146,667*l.*, being less than 7½ per cent.	£ 10,834

From the illustrations which I have now presented, it would appear that the effect of a Ten Hours Bill would be to cause a depression in wages, to the extent of 25 per cent., while leaving the manufacturer who supplies our most extensive and important foreign market with a rate of profit not exceeding, by ½ per cent., the minimum rate from which the slightest permanent declension would banish manufactures from the land.

Your Lordship may probably object, that the alarming conclusions at which I have thus arrived, are deduced from assumptions not in accordance with existing circumstances, and therefore not practically true; that profits are not at their minimum and wages at their maximum; and that there is still a sufficient margin to allow the operative undiminished wages for diminished work, without causing manufacturing capital to emigrate from our shores. Unfeignedly do I wish that this objection were valid. But the facts which are passing around us prove it to be groundless. Capital to an enormous amount already emigrates from our shores. Our unemployed and unemployable accumulations flow off into foreign mines and foreign loans, foreign canals, foreign railways,—foreign factories rivalling our own, have become the perennial creations of British capital. These are pre-

monitory symptoms which it would be dangerous to disregard. These are practical, undeniable, irresistible proofs, that the rate of profit in this country is already approaching the minimum at which no margin remains for an advance of wages.

It is not an hypothesis, but a fact, that the wages of manufacturing labour in this country have had for a long course of years a tendency to decline; it is not an assumption, but a reality, that all the principal commercial countries of the world have adopted the policy of forcing native manufactures by imposing increasing import duties upon British goods; and it is not a merely probable conclusion, but a self-evident truth, that in the same markets commodities equal in quality will be equal in value, and that the British manufacturer who exports his fabrics to a foreign country, will realise for them a less price by the amount of the import duty, than the price realised for similar fabrics by the manufactures of that country. Again, it is not an assumption, but a fact, that the Anglo-Saxon race have lost nothing of their skill, and energy, and enterprise, and persevering industry, by crossing the Atlantic; and it is not a merely probable inference, but a self-evident truth, that while a day's labour in America can produce an article equal in quantity and quality to that produced by a day's labour in England, the maximum wages obtainable by the American operative will exceed, in a proportion determined by the amount of duty imposed on British goods, the maximum wages attainable by the English operative who works for the American market. And, my Lord, it is an equally self-evident truth, that could the wages of the operative, after the passing of your Ten Hours Bill, be sustained for a season above the reduced maximum determined by the diminished quantity of work, profits would be pressed down below the minimum of continuous production, and British capital would flow out into foreign manufacturing countries in a fearfully increasing volume, leaving

your protected factory population to emigrate or to perish. I have reasoned from hypothetical cases, only for the purpose of placing before your Lordship, in a more distinct and definite form, conclusions true--self-evidently true—in the actual circumstances of society.

Perhaps your Lordship may contend, that my illustrative cases have been framed in reference to circumstances as they are found to exist in the United States exclusively; that conclusions, though necessarily true under these assumed circumstances, may not be true in reference to the different circumstances which are found to exist in the other great commercial countries of the world. I might reply, that the markets of the United States are, to the British manufacturer, the most important markets of the world; and that the ruinous consequences of a Ten Hours Bill are sufficiently demonstrated when it is shown that its operation would be, either to exclude us from the markets of the Union, or else to cause a reduction of wages proportionate to the diminution in the hours of work. But I have another and a still more conclusive answer to the objection.

The economical condition of the great commercial countries of the continent of Europe afford a perfect verification of the conclusions regarding the effect of short time upon wages, which I have presented for your consideration. The distinguishing difference between the economical condition of the United States and that of the continent of Europe, consists in the different degrees of efficacy with which labour is applied. The efficacy of labour in the United States equals, or perhaps exceeds its efficacy in England; the efficacy of labour in France is less by one-third than its efficacy in England. This difference in the efficacy of labour causes a corresponding difference in wages. An English cotton spinner produces in a day a greater quantity of yarn, and of a better quality, than a French cotton spinner; and he consequently receives more money for a

day's work than a French cotton spinner. Gold and silver are one-third dearer, in relation to French labour and its produce, than they are in relation to English labour and its produce. A Frenchman labours for three weeks in executing the same quantity of work which an Englishman executes in two weeks; and therefore the Frenchman receives, as the wages of three weeks, no greater amount of money than that which the Englishman receives as the wages of two weeks. These are no theoretical conclusions deduced from premises arbitrarily assumed; they are existing facts, affording practical proof that the amount of wages depends upon the quantity and value of the work performed, and furnishing irresistible evidence that a Ten Hours Bill would diminish wages in the proportion in which it reduced the number of working hours.

England's commercial rivals would rejoice and glory in the success of your Lordship's measure for limiting the hours of work in her factories. The commercial greatness of our country has been created by the power which the British operative has hitherto possessed, of executing in a given time,—in a day or in a week,—a greater quantity of work than that which could be executed in the same time by the foreign operative. Remove the cause, and the effect will cease. Diminish the quantity of work executed by the British operative in a given time, and our commercial greatness declines. Equalize the quantity of work executed in a day or week by the British with that executed by the foreign operative, and England ceases to be the envy of the world. The question of shortening the hours of labour by a legislative enactment, is the most important that can engage the attention of the man who loves his country. May I be permitted to examine it in further detail?

Last year France imposed an additional duty upon British yarn, and the manufacturer, in order to retain possession of the French market, was compelled to reduce the price of the

article. France now meets the reduction of price by a further increase of duty. This will impose upon the manufacturer, if he would retain possession of the French market, another reduction of price; and the inevitable consequence of this must be a decline of wages. And what is the remedy which you propose for averting this evil? A compulsory diminution of the hours of labour,—a legislative enactment for diminishing the quantity of work the operative may execute. You co-operate with the government of France in pulling down the greatness of England.

A large and an increasing proportion of the population of the kingdom is dependent on the demands of foreign markets for the means of subsistence. All the great commercial countries of the world have adopted the policy of forcing domestic manufactures, by imposing high import duties upon foreign fabrics. How, under such circumstances, can England hold her own? Must not British goods, when imported into a foreign country, be sold to the consumer at the same prices at which the similar goods of that country are sold to the consumer? And is it not self-evident that if British goods, upon entering the markets of a foreign country, are charged with a duty of 20, or 30, or 40 per cent., the British operative cannot receive an amount of wages equal to the amount obtained by the operatives of that country, unless he can produce in a day, or a week, a quantity of goods, greater, by 20, or 30, or 40 per cent., than the quantity produced in a day, or a week, by his foreign competitor? Your Lordship's Bill for limiting the hours of labour ought to be entitled,—"A Bill for reducing the Wages of the Operative Classes throughout the United Kingdom."

You advocate a legislative limitation of the hours of labour upon moral grounds alone, and avowedly discard all considerations of the commercial branch of this momentous question. The two branches of the subject may be separated, and perhaps conveniently separated, for the purpose of sci-

entific disquisition; but they ought not, they cannot be separated in practical legislation. The moral and intellectual improvement of the people has an intimate, a necessary connexion with their physical well-being. Is not poverty an incentive to crime? Can the pressure of distress promote the decencies of life? Will crowded rooms and crowded beds, and contaminating associations, be prevented by a reduction of wages? Can physical degradation be the precursor of moral elevation? If these questions could be answered in the affirmative, then, indeed, the Ten Hours Bill might be discussed without reference to its effects upon the commercial prosperity of the country.

But it cannot be too often repeated that the moral and commercial branches of this important subject are incapable of separation. The two elements are held together by so close an affinity—they are so entirely incorporated and combined—they so act and react upon each other in reciprocal causation—that when we attempt to displace the one we reject an essential portion of the other. They must be dealt with as a whole—as one and indivisible. To reject the moral branch of the question would be not less fatal than to dismiss the commercial. The agitation for shortening the hours of labour in the factories involves moral considerations of the gravest character, affecting not the subjects but the promoters of the proposed legislation. The leaders of this dangerous movement bring themselves under a sacred moral obligation to tell to the working people the truth, the whole truth, and nothing but the truth. The operatives are under the delusion that, upon the passing of a Ten Hours Bill, they would receive the wages of twelve hours for the work of ten. He who, by word or by deed, by implication or by inference, should countenance this delusion, would incur an awful responsibility to the misguided people, to his country, and to his God. Look forward, I entreat you, to inevitable results. Picture to yourself what would be the state of the popular

mind in the densely-peopled seats of manufacturing industry, when the masses should have awakened from their delusion, and found that your Ten Hours Bill had permanently deprived them of one-fourth part of their accustomed wages. Ask your own heart what your feelings then would be. Ask the least intelligent amongst the masses that now hail you with shouts of devoted gratitude and applause, in what degree of estimation your character would then be held.

I now conclude. Impressed with a deep conviction that, in the actual condition of this country, a legislative limitation of the hours of labour would be inexpedient and injurious in the highest degree; believing that such interference, instead of benefiting the working classes, would increase the pressure under which they are already sinking in the social scale; convinced that the increasing force of foreign competition, and the accumulating disadvantages of hostile tariffs, are the specific causes which diminish the rewards of industry in England; and regarding it as physically impossible, under the action of these causes, to improve the condition of the industrious classes, unless we can increase the efficiency of their labour, and enable them to execute a greater quantity of work within a given time:—impressed with these convictions, I have not hesitated to address to your Lordship, throughout the preceding pages, a free and unmitigated expression of my opinions in regard to a measure, the express object of which is to diminish the quantity of work performed within a given time, and of which, as I conceive, the necessary tendency would consequently be to co-operate with foreign competition and hostile tariffs in depriving British industry of the superiority which it has hitherto maintained; to effect a reduction of wages proportionate to the diminution in the quantity of work performed within a given time; and ultimately to create a bitter spirit of disappointment and despair, endangering the security of life and property, and terminating, it might be possible, in the horrors of a servile war. But while attempt-

ing to express my convictions and my apprehensions in terms of appropriate strength, it has been very far from my intention to give utterance to a word personally disrespectful to your Lordship. Your character commands respect. It is my high estimation of the moral power which that character confers which prompts this strenuous appeal. On the course which you may take in directing the popular movement incalculable consequences hang. For good or for evil, for weal or for woe, for elevating or for degrading the condition of the working classes, for advancing or for destroying the prosperity, the greatness, and the happiness of England, I regard you as a potent instrument in the hand of Providence. Will you be a rose in the garden of your country, or a thistle in her hedge? Whoever will seriously contemplate the economical condition of England must perceive that *laissez faire* is obsolete. Oil must be thrown upon the troubled waters. Unless appropriate and effectual means be adopted to mitigate the existing, the increasing pressure upon the labouring population, days of tribulation are at hand. But appropriate and effectual means for the attainment of this end are placed at our command abundantly, and only require to be skilfully, energetically, and systematically applied. Though, on the present occasion, your Lordship has overlooked these means, and mistaken the path through which the hallowed object of improving the condition of the people can be reached, yet to the self-denying zeal and unabateable perseverance with which you have struggled to achieve it, all honour and confidence are due; and though you may not immediately arrive at the conclusion that short time would be followed by a permanent reduction of wages, and by all the social ills inseparable therefrom, yet I cannot but hope, I cannot but confidently believe, that the failure of your Ten Hours' Bill will cause you to seek your beneficent object through more apposite means, and to become the leader of a popular movement, the success of which, while enabling the operative to obtain advancing wages

for shorter time, and while opening to the manufacturer expanding markets which hostile tariffs could not reach, would confer upon you a legitimate title to the gratitude of your country and of mankind.

I have the honour to be,
Your Lordship's most obedient servant,

R. TORRENS.

London, April 12, 1844.
